Policy consultation: Domestic supplier-customer communications rulebook reforms

Consultation

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Overview:

The retail energy market is undergoing a period of far-reaching and exciting change driven by new technology, business models and ways of engaging consumers. Our ambition is to change how we regulate the energy market to support innovation where it can improve outcomes for consumers, while continuing to provide them with strong protections.

For consumers to get the maximum benefit from market changes, it is essential that they have the right information, in the right format and at the right time, to enable them to understand their costs and consumption, to access and assess their options and to take action where needed. Supplier-customer communications play a critical role in delivering these outcomes. But there is room to improve how suppliers currently communicate with consumers. We also need to ensure that our rules support and enable clear communication of new time-of-use tariffs and demand response initiatives.

We intend to rely more on overarching rules (principles) and remove detailed rules where this can help to deliver better results for consumers. We expect this will provide better protection for all consumers, including the vulnerable, foster an environment where they get engaging, informative and useful communications, and provide room for suppliers to innovate. This will also put the onus on suppliers to understand the needs of consumers, and tailor their communications accordingly.

This policy consultation sets out our proposals for amending the supply licence rules relating to customer communications. We propose to introduce a suite of five new narrow principles to supplement the existing Standards of Conduct and SLC 25 informed choices principles, and to remove prescription in priority areas such as the Bill, Price Increase Notice and Statement of Renewal Terms.
Context

We are committed to relying more on enforceable principles – overarching rules – to 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 early 2017, we set out our plans to reform the rules relating to supplier-customer communications. In December 2017, we published a working paper setting out our latest thinking on priority areas for reform and an initial outline of the new principles framework we want to put in place.

This consultation builds on our earlier work, including changes to our informed choices rules on sales and marketing and recent changes to the Standards of Conduct. We have developed proposals based on input from consumers and wider stakeholders, including feedback on the initial proposals set out in our December working paper. This document now provides a detailed set of proposed changes to the customer communications rules.

Associated documents

Ofgem, Decision: Estimated Annual Cost for domestic consumers, December 2017.


Revealing Reality, Consumer First Panel: Understanding information needs, December 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, December 2015.
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Executive summary

The retail energy market is undergoing rapid change. Smart meters and changes to settlement arrangements, along with new technologies and business models, are transforming the way we buy and consume energy. To take full advantage of these changes, it is vital all consumers can easily and actively engage with their energy supply – both now and in the future. Clear, timely and accessible supplier-customer communications are critical to this.

We currently take a prescriptive and detailed approach to specifying what, when and how suppliers communicate with their customers. This has led to a “one-size-fits-all” approach, which has restricted supplier innovation and may not be meeting the needs of all consumers. There is substantial room for improvement in the degree to which the information provided by suppliers prompts and supports consumer engagement. For example, we know that some communications, particularly the Bill, can be long, which can put consumers off engaging. It is also important that our rules are future-proofed to ensure that supplier communications evolve along with consumer needs – making sure they have the information they will need to engage effectively with time-of-use tariffs, for example.

We believe that reforming the rules that govern domestic supplier-customer communications will help facilitate more and better engagement among consumers, including vulnerable consumers.

Our vision

We want consumers to get the right information, in the right form and at the right time, to enable them to understand their costs and consumption, to access and assess their options and to take action where appropriate. Our rules should create an environment in which consumers get truly engaging, informative and accessible communications. Suppliers should have room, and be incentivised, to innovate and improve their communications, and to tailor information to consumers’ characteristics and preferences, including those in vulnerable situations.

Following extensive stakeholder engagement, we propose to overhaul our existing prescriptive customer communications rules and rely more on new and existing principles-based rules – enforceable rules that place responsibility on suppliers to deliver certain consumer outcomes. These principles would confirm and consolidate the policy intent of our existing rules and ensure that consumer needs are met.

Our proposals

The Standards of Conduct already aim to ensure suppliers communicate clear, relevant information to enable domestic consumers to make informed choices about their energy supply. We propose to build on the Standards and existing informed choices principles in standard licence condition 25 by introducing a set of five new narrow principles.

These five principles would ensure consumers get the information they need to: encourage and enable them to engage on choices relating to (1) contracts and (2) managing their consumption and costs; understand and obtain relevant (3)
assistance and advice; understand and manage their (4) billing, costs and consumption; and manage changes to their (5) contracts, such as price increases or the end of their fixed-term tariff.

In each case the principles would specify the outcomes we expect suppliers to deliver for consumers through the information they provide. The combination of new and existing principles would enable us to confidently remove unnecessary detail, and reduce the need for new prescription in the future. The key areas we propose to remove prescription are:

- **Encouraging and enabling engagement**: We propose to remove some of the prescriptive content, placement and formatting rules for the cheapest tariff message and the Tariff Information Label. Our new encourage and enable principles would require suppliers to ensure that consumers have the information they need to engage now and in future.

- **Providing assistance and advice**: We propose to remove prescriptive requirements for suppliers to provide certain contact information, and for how they communicate safety information, and replace them with a new assistance and advice principle. This principle would require suppliers to ensure that consumers know who to contact if something goes wrong, or if they have a query or complaint.

- **The Bill**: We propose to remove certain elements of prescriptive content from the Bill, for example the cheapest tariff message, and all prescriptive formatting and layout rules. Our new billing principle would require suppliers to ensure consumers have the information they need to effectively manage their costs and consumption. This would facilitate shorter, more engaging and informative Bills.

- **Price Increase Notifications and Statements of Renewal Terms**: We propose to remove the prescriptive list of items that must be included on these notices, as well as any formatting and placement requirements. Our new contract changes principle would require suppliers to ensure consumers have the information they need to manage important changes to their contract.

- **The Annual Statement**: We propose to remove the requirement for suppliers to send Annual Statements. Our new principles would require suppliers to ensure that consumers continue to receive this important information at a more suitable time and in a more suitable format.

We do not propose to remove all prescription. There will continue to be areas where it is appropriate to retain detailed prescriptive rules, for instance where there are specific minimum standards below which suppliers’ outputs should not fall.

The changes, taken together, would provide enhanced protections for consumers, ensuring they have the information they need to manage their energy supply now and in future. We would expect that suppliers would take advantage of the flexibility the proposed rule changes would offer to develop more informative, engaging communications that are better tailored to consumer characteristics and preferences.

**Next steps**

We welcome stakeholder views on the proposals set out in this consultation. Please send your responses to futureretailregulation@ofgem.gov.uk by 21 June 2018.
1. Introduction

1.1. The retail energy market is undergoing a period of far-reaching and exciting change. Smart meters, demand-side pricing models, new technologies and digital services are increasingly enabling consumers to better engage with – and take control of – their energy supply. For consumers to get the maximum benefit from market changes, it is essential that they have the right information, in the right format and at the right time, to enable them to understand their costs and consumption, to access and assess their options and to take action where needed. Supplier-customer communications play a critical role in delivering these outcomes.

1.2. Based on strong stakeholder feedback, in early 2017, we signalled our intention to review the domestic rules relating to what, when and how suppliers communicate with domestic consumers, to make sure they are fit for purpose now and in future.¹

1.3. Our current domestic customer communications rules set out in a prescriptive manner the information suppliers must provide to consumers. We consider that we can ensure suppliers deliver improved outcomes for consumers by reducing the level of prescription within our requirements, relying more on existing principles-based rules and adding new narrow principles-based rules where appropriate.

1.4. Below we provide an overview of the current rules, why we think changes would be beneficial, and the scope and priority reform areas for this work.

Overview of the current rules

1.5. The rules covering supplier-customer communications consist of broad principles, narrow principles² and prescriptive channel- and content-specific requirements³ and have evolved over time. Some were implemented as part of the Energy Supply Probe⁴ and the Retail Market Review⁵ to address poor supplier behaviour and fill gaps in consumers’ information needs.⁶

² We expand on what we mean by “broad” and “narrow” principles in the chapter 2.
³ We provide a more comprehensive summary of the current rules framework for customer communications in our recent working paper: Ofgem, Working paper: Domestic supplier-customer communications rulebook reforms, December 2017.
⁶ Other rules outside of our supply licence may apply to customer communications, for instance those applicable under consumer protection or general contract law.
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1.6. The broad principles in the Standards of Conduct aim to ensure that consumers are treated fairly by suppliers, including in respect of the information suppliers must provide to consumers. The narrow “informed choices” principles focus on tariff comparability and sales and marketing. These narrow principles were introduced last year, and updates were made to the Standards of Conduct around the same time to enhance the protection they provide for consumers, including introducing overarching vulnerability and informed choices principles.

1.7. The majority of our other supplier-customer communications rules are prescriptive requirements relating to specific channels such as the Bill, Annual Statement, Price Increase Notice, Statement of Renewal Terms and other communications, and content-specific requirements (eg the Tariff Information Label and fuel mix information).

Why reform is needed

1.8. The current rules were put in place for good reason at the time. However, following our review of the rulebook, input from consumers and evidence from wider stakeholders, we no longer think that the way to deliver the best results for consumers is through a significant volume of detailed prescriptive rules.

1.9. We intend to redesign the customer communications requirements to create an environment in which all consumers – including vulnerable consumers – get truly engaging, informative communications. This would involve putting the onus firmly on suppliers to consider the characteristics and preferences of consumers carefully, and tailor their communications accordingly. By making changes to the customer communications rules we aim to:

- **Facilitate greater innovation and more engaging communications**: The current rules can, in certain cases, limit suppliers’ ability to come up with their own communication designs. This can mean that communications are “one-size-fits-all”, which may be appropriate in certain cases but could also mean that consumers miss out on information tailored to their particular characteristics and preferences. By removing prescription, we would enable suppliers to come up with their own designs, and to innovate and test new content, layout and formats to determine what works best for consumers.

- **Better future-proof our rules**: The market is changing quickly. Principles-based rules are better-equipped to keep in step with technological advances.

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7 The domestic Standards of Conduct are set out in standard licence condition (SLC) 0 of the gas and electricity supply licences.
8 We refer here to the principles set out in SLC 25 of the gas and electricity supply licences.
9 Ofgem, Final decision: Enabling consumers to make informed choices, April 2017.
10 Ofgem, Final decision: Standards of conduct for suppliers in the retail energy market, August 2017.
11 In this document, unless stated otherwise, we use “Price Increase Notice” to refer to any form of disadvantageous unilateral variation notice.
12 The Statement of Renewal Terms is also referred to as the End of Fixed Term Notice.
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and changes in consumer characteristics and preferences than prescriptive rules designed around traditional paper-based communications.

- **Deliver strong, comprehensive protections**: Our experiences show that loopholes can sometimes be found in detailed prescriptive rules. Principles-based rules put the onus on suppliers to deliver good outcomes for consumers regardless of the context, and can therefore be more comprehensive in the protection they provide.

1.10. The rules relating to customer communications have consistently been identified by stakeholders as a priority area for reform. We want to take this opportunity to reform the customer communications rules in order to help drive greater consumer engagement and ensure our rules deliver positive outcomes now and in future. We expect suppliers to respond positively to our changes by working hard to understand, and deliver tailored information to meet, consumers’ information needs.

**Scope and our priorities for reform**

1.11. In September, we set out our approach for reforming our domestic supply licence rules covering what, when and how a supplier must communicate with consumers.\(^{13}\) We signalled that our intention was not to attempt to remove prescription across all areas of the customer communications rules, but to focus on those changes that have the greatest potential to benefit consumers.

1.12. To inform our policy development, we scrutinised existing research and commissioned a new study\(^{14}\) to help us identify the information that is most important to consumers.\(^{15}\) We also engaged extensively with stakeholders – hosted workshops and one-to-one meetings with suppliers, consumer groups such as Citizens Advice, and others, carefully reviewed the recommendations report produced by Energy UK\(^{16}\), and sought input in response to the updated thinking we set out in December.\(^{17}\)

1.13. After taking on board all feedback and input from consumers and wider stakeholders\(^{18}\), and the findings of our own analysis, we have prioritised changes to:


\(^{15}\) A high-level summary of the evidence used to inform our policy development is included in annex 2 – summary of evidence used to inform our proposals, which is published alongside this consultation.


\(^{18}\) A summary of stakeholder views is included in annex 3 – stakeholder feedback on December working paper, which is published alongside this consultation.
the Bill, billing information, Annual Statement, Statement of Renewal Terms, Price Increase Notice, Tariff Information Label, cheapest tariff message, and rules relating to assistance and advice. To support our efforts to reduce prescription in these areas without compromising consumer protections, we have also prioritised the development of additional principles-based rules.

1.14. We do not propose to remove all prescription. There will continue to be areas where it is appropriate to retain prescriptive rules, for instance where there are specific minimum standards below which suppliers’ outputs should not fall. Nor do we intend to remove or amend those rules where our powers to make changes are limited, where they are derived from the EU’s third energy package\(^\text{19}\) or requirements introduced by government (eg Green Deal information).\(^\text{20}\)

1.15. When redesigning the rules, our aim is not to alter their general policy intent. Rather, relying more on principles would confirm and consolidate the policy intent of our existing rules, provide more scope for innovation, and place responsibility firmly on suppliers to think about how best to deliver positive outcomes for all consumers.

1.16. We do not at this time have plans to make further changes to the customer communications rules following the conclusion of this consultation process.

**Related initiatives**

1.17. This project is one of many initiatives that are currently underway that will have an important impact on how consumers engage with their energy supply. For instance, we are leading trials to develop new and improved prompts to encourage consumers to engage. We published the results of our first large randomised controlled trial in November\(^\text{21}\) and we are now in the process of developing further interventions for testing. In a similar vein, we recently issued an industry-wide derogation (exemption) from some of the existing Statement of Renewal Terms licence conditions, to enable suppliers to develop and trial enhanced communication designs. Any relevant findings from this will feed into our customer communications policy development.\(^\text{22}\) The European Commission is also considering reforms to the information suppliers are required to include on Bills and other communications.\(^\text{23}\) We are providing input into this work as it progresses.

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20 To be clear, we do not intend to remove or amend prescription where the rules were introduced by government or derived from EU requirements. When we say these rules are “out of scope” this does not imply that new or existing principles would not apply in these areas.


22 Ofgem, *Decision to grant all licensed suppliers a temporary and limited derogation from various elements of standard licence condition (SLC) 22C of their gas and electricity supply licences*, December 2017.

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Structure of this document

1.18. Chapter 2 is a high-level overview of what our proposed rules would look like. Chapters 3 to 7 set out our policy proposals across each of our priority areas, and chapter 8 outlines next steps for this work. Our proposed package of principles and some illustrative examples of how we envisage them working in practice is included in appendix 2 at the end of this document. Further detail on our proposed changes, the evidence we have considered in developing our policy and stakeholder feedback received so far is included in the annexes published alongside this consultation.
2. Our approach and an overview of our proposed new rules

Chapter Summary

We propose to introduce a new set of narrow principles-based rules. These would require suppliers to ensure consumers get information to encourage and enable them to engage, obtain assistance and advice when they need it, and to manage their billing, costs and consumption and any changes to their contract. The new principles would enable us to cut a significant amount of prescription, and would work in harmony with our existing Standards of Conduct and informed choices principles.

Question 1: Do you agree in general with our proposed reforms to the rules related to supplier-customer communications?

Question 2: Do you think our proposals make appropriate use of principles and remove the right amount of prescription? Have we gone too far, or not far enough in removing prescription to enable suppliers to innovate?

Question 3: Do you think there are any areas of particular risk to Vulnerable Consumers that are not already addressed in this consultation and/or by the vulnerability principle in the Standards of Conduct?

Question 4: Do you support our proposed changes to the rules regarding the (i) content, (ii) format, layout and wording, and (iii) frequency and timing of communications? If not, why not?

Question 5: Do you agree with the key features of the new principles: (i) "Key Engagement Points", (ii) "characteristics and preferences", and (iii) our expectations of suppliers?

2.1. The domestic supplier-customer communications rules have consistently been identified by stakeholders as a priority area for reform. While the current prescriptive rules were put in place for good reason at the time, we consider that a more principles-based set of rules will provide better protection for consumers both now and in future, while allowing room for innovation.

2.2. In this chapter, we provide a high-level overview of the new principles we propose to introduce and how they would fit together with existing rules. We also outline some of the key features of the new principles. A more detailed description of our proposed changes is included in the chapters that follow.

A new set of principles-based rules for customer communications

2.3. The current customer communications rules are made up of some principles – the overarching Standards of Conduct and SLC 25 informed choices principles – and a large amount of prescription. They set out the content, and in some cases the timing and formatting, of the information that must be provided to consumers. The prescription is centred around regulated communications such as the Bill, Statement of Renewal Terms and Price Increase Notification. The rules also require that certain pieces of information must be provided to consumers at specific points in time – for
example the Tariff Information Label must be provided to consumers at point of sale.\textsuperscript{24}

2.4. We propose to move away from a customer communications rulebook largely made up of prescription, to one that is focused around principles-based rules.

\textbf{Figure 2.1}: Current and proposed customer communications rules

\textbf{Today’s rules...}\hfill \textbf{The way forward...}

- \textbf{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-customer communication.

\\textsuperscript{24} General legislative requirements also apply to the communications suppliers send to consumers, for example under relevant contract and consumer protection law. We do not cover these provisions in detail in this document.
• **Narrow principles**: Narrower principles that would require suppliers to make sure that in their communications with consumers they deliver key outcomes: they provide the means for consumers to make informed choices, to encourage and enable consumers to engage with their energy supply, and to 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 billing and any changes to contracts.

• **Prescription**: For each of the areas above, we would retain some prescription, for instance where there is only one acceptable way of doing things.

2.6. We consider that this shift in emphasis away from prescription would result in better consumer outcomes, improve consumer protections and enable innovation today and in the future.

**Key features of the new principles**

2.7. Removing prescriptive requirements does not mean that suppliers have to do less for consumers. Rather, it means the opposite. We expect suppliers to work hard to understand consumer needs and design their communications accordingly. To ensure this is the case, the new principles focus on the outcomes we want suppliers to deliver for consumers and have certain key features, which we summarise below.

2.8. **Timing**: Rather than prescribing that certain information must appear on specific communications or be provided at set times, we propose to introduce a new definition – "Key Engagement Points" – that would put the onus on suppliers to determine when some information, for example prompts to encourage consumers to engage, should be provided to consumers. We do not propose to define precisely what constitutes a "Key Engagement Point" as this is likely to be consumer and context-specific. We anticipate that it would include, but not be limited to, points in time before price increases and the end of fixed-term tariffs, and most Bills (suppliers will need to consider matters such as a consumer's billing frequency when deciding whether a Bill is a Key Engagement Point). To ensure that consumers get important information, even in the absence of these specific events or communications, we propose that the two new encourage and enable principles would apply at Key Engagement Points and "throughout the year". This additional wording would be important where, for instance, a consumer is billed infrequently and receives neither a Statement of Renewal Terms or a Price Increase Notification.

2.9. **Characteristics and preferences**: Different consumers have different characteristics and preferences. The current prescriptive, one-size-fits-all requirements don’t allow or require suppliers to take these differences into account in many cases. We consider that providing room for, and putting the onus on, suppliers to take consumer differences into account is central to ensuring consumers get informative, engaging communications. For clarity, suppliers would be required to recognise and reflect consumer characteristics and preferences in the information they provide, this does not mean they need to create bespoke communications for each consumer. In some cases this level of personalisation may be required – for
example in the case of the Estimated Annual Cost where the calculation is based on a consumer’s actual consumption. However, in other circumstances, consumer profiles, based on factors such as how regularly they engage and switch, their meter type, whether the consumer manages their account online, etc. should be used to determine what, when and how to deliver certain outcomes for consumers.

2.10. **Expectations of suppliers:** The shift to greater reliance on principles means that we expect suppliers to think harder about how to best deliver good outcomes for consumers. In addition to considering consumer characteristics and preferences, suppliers should consider relevant consumer research and behavioural insights in determining what they communicate to consumers, when and how. Over time we expect to see suppliers innovate and differentiate, moving away from the current communications designs. We anticipate that this would lead to more effective and engaging forms of communications, delivering better outcomes for consumers.

**How we have developed our proposals**

2.11. In developing our proposals, we have, among other things, considered:

- **The policy intent of the current rules:** We consider that the policy intent of the existing rules continues to be valid. For example, in the case of the cheapest tariff message, we continue to think that it is important for suppliers to prompt consumers to engage by raising awareness of the savings they could make by switching to cheaper tariffs. It is not our intention, therefore, to discard the underlying intent of the existing rules. Rather, we want to reduce the extent to which we specify what information must be provided, when and how, and instead focus our rules on the outcomes suppliers need to deliver for consumers.

- **Stakeholder feedback:** We have engaged extensively with stakeholders – including consumer groups, industry and others – over the past year, as part of industry workshops and bilateral meetings. We have also taken into account written feedback submitted in response to the draft proposals we published in our December working paper. Stakeholders strongly support our intention to remove prescription and rely more on existing and new principles-based rules. We include a summary stakeholder views on specific parts of our proposals in the chapters that follow, and an overall summary of stakeholder feedback is included in annex 3 – stakeholder feedback on December working paper, which is published alongside this document.

- **Consumer research:** In developing our proposals, we’ve drawn on evidence from energy and other markets to identify where we could improve the information provided to consumers. This includes both our own research, including Consumer First Panels and quantitative surveys, and research provided to us by stakeholders. We have also taken into account lessons from behavioural insights studies – we will shortly publish these on our website.

2.12. In the following chapters we provide a more in-depth view of our proposed changes to different aspects of the customer communications rules.
3. Encouraging and enabling engagement

Chapter Summary

We propose to introduce two new principles to ensure consumers receive regular prompts to encourage them to engage, and have the information they need to do this effectively. We also intend to remove some of the prescriptive content, placement and formatting rules for the cheapest tariff message and the Tariff Information Label. This would ensure that consumers have the information they need to engage now and in future.

Question 6: Do you support our package of proposals to change the current customer communications rules to “encourage and enable” engagement? Please explain your answer, in particular noting any consequences you envisage for consumer outcomes or suppliers’ ability to innovate.

Question 7: Do you agree with our definition of Key Engagement Points?

3.1. Improving consumer engagement with their energy supply is more important than ever – it is critical that consumers get the right information, in the right form and at the right time to manage their consumption and costs. Suppliers play a critical role in encouraging and enabling consumers to do this effectively, including by prompting consumers to engage at appropriate times. We expect suppliers to provide consumers with information that helps them to understand their current circumstances, to be able to access and assess the options that are available to them, and to take action where needed.

3.2. We currently place a number of different obligations on suppliers to ensure they provide consumers with specific information to prompt and support engagement with their energy supply – including the cheapest tariff message and Tariff Information Label. These requirements are largely prescriptive in nature. While the current rules have helped to set a minimum standard for the information provided to consumers, there is significant room for improvement in how engaging and informative customer communications are.

3.3. In this chapter, we set out the changes we propose to make to the existing customer communications rules aimed at encouraging and enabling consumers to engage with their energy supply. We first summarise the outcomes we want to see for consumers and provide background to our work in this area. We then outline certain policy issues and options we have considered and set out our recommended changes.

Consumer outcomes we want to see

3.4. Engagement is about more than switching tariffs or supplier. Consumers may investigate other offers and conclude that they’re already on the right deal for them. Equally, consumers may be interested in understanding more about their current deal, or their consumption level or pattern, so that they can take actions to manage their costs – for example via energy efficiency initiatives or responding to time-of-
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use price signals. This chapter covers measures to encourage and enable consumers to engage in this broad sense.

Outcomes

We want to make sure that consumers get the right information, in the right form and at the right time, so that:

- They can easily find and understand information about their consumption and current tariff
- They are aware that they can switch tariffs or suppliers and that they may benefit by doing so
- They have the information they need to be able to access and assess their options
- They are able to make an informed decision about the right option for them and what steps they need to take.

The current rules, consumers’ experience and stakeholder feedback

The current rules to encourage and enable engagement

3.5. We currently have a number of rules that set out how suppliers should encourage and enable consumers to engage. These include:

- **Standards of Conduct (broad principles)** requiring, among other things, that suppliers provide information that is complete, accurate and not misleading, and which is sufficient to enable the consumer to make informed choices.

- **Informed choices (narrow principles)** requiring suppliers to put in place information, services or tools to enable each consumer to compare and select appropriate tariffs for them.

- **The cheapest tariff message (prescription)**, included on Bills and other communications, telling a consumer how much they could save by switching to the cheapest similar and cheapest overall tariff with their current

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25 This list of requirements is not an exhaustive list of the rules relating to encouraging and enabling engagement. Other communications, such as the Annual Statement, Price Increase Notification and Statement of Renewal Terms, also play a role in encouraging consumers to engage and helping them to understand their options. These communications are covered in detail in other chapters so we do not repeat them here.

26 The Standards of Conduct are set out in SLC 0 of the gas and electricity supply licences.

27 The informed choices principles we mention here are set out in SLC 25 of the gas and electricity supply licences.
supplier. This message aims to increase consumer awareness of savings that may be available to them and encourage them to engage.

- **The Tariff Information Label (prescription)**, setting out in one place some of the key features (e.g., tariff name, unit rates, discounts) of each of a supplier's tariffs, which must be made available online and provided in specific instances (e.g., at point of sale). The Label aims to make it easier for consumers to understand the key features of a tariff, and in so doing enable them to engage.

- **The “about your tariff” summary box (prescription)**, setting out in one place the key information that would enable a consumer to effectively compare and switch tariffs (e.g., current tariff name, payment method, termination fees and annual consumption). It is included on every Bill.

- **The Estimated Annual Cost (prescription)**, a personalised projection of the annual costs a consumer is likely to pay on a given tariff, which is provided on Bills and other communications, as well as at defined points in the consumer journey (e.g., at point of sale). It is intended to enable consumers to understand their costs and to support tariff comparisons.

- **Switching reminders (prescription)**, on Bills and other communications, which aim to encourage consumers to think about switching their tariff or supplier.

**Consumer understanding and behaviour – what the evidence tells us**

3.6. Many of the current rules to encourage and enable engagement were introduced as part of the Retail Market Review from early 2014. While they have had some positive impacts for consumers, they have not resulted in a significant

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28 The rules specifying the tariffs that should be included within the cheapest tariff message are set out in SLC 1 under the definitions of “Relevant Cheapest Tariff” and “Alternative Cheapest Tariff”. Requirements for where the cheapest tariff message should be provided to consumers are set out in SLCs 22C, 22D, 22F, 23 and 31A. Other rules relating to the cheapest tariff message are included in SLCs 31D and 31E.

29 Licence requirements relating to the content and format of the Tariff Information Label are specified under SLC 31B. Requirements setting out where it should be provided to consumers are set out in SLCs 22C and 31E.

30 Requirements relating to the “about your tariff” box are set out in Schedule 2 to SLC 31A.

31 We recently redesigned the methodology for calculating the Estimated Annual Cost to put the onus on suppliers to come up with their own methodologies, subject to certain criteria: Ofgem, Decision: Estimated Annual Costs for domestic consumers, December 2017. Our considerations in this chapter are limited to where and when it is provided.

32 The methodology for calculating the Estimated Annual Cost is set out in SLC 1 under the definition of “Estimated Annual Cost”. Requirements specifying where it should be provided to consumers are set out in SLCs 22C, 22D, 23, 31A and 31E.

33 Requirements setting out the specific wording to be used by suppliers when reminding consumers of their right to switch are included in SLCs 22C, 22D, 23 and 31A.

increase in the proportion of consumers reading and taking action after receiving communications from their supplier.

3.7. Below we note some of the relevant findings from our own consumer research relating to how consumers currently understand, process and use information from suppliers to engage in the market. From these findings, we consider that there is room for suppliers to do much more to ensure consumers are aware of their options and know how to take action, if appropriate.

<table>
<thead>
<tr>
<th>Overall consumer engagement</th>
</tr>
</thead>
<tbody>
<tr>
<td>The majority of consumers are aware they can switch (86% in 2017), and both internal and external switching rates have been increasing in recent years. Between July 2016 and June 2017, almost 17% of consumers switched supplier, and 27% of consumers stayed with the same supplier but switched tariff. Both these figures are increases on the previous year.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Finding and understanding tariff information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Despite this, a large proportion of consumers remain disengaged. In 2017, 58% of consumers said they had never switched supplier or only switched once before. Reasons for this vary – for example, 46% of consumers said that switching is a hassle that they don’t have time for while 33% of consumers who didn’t switch in 2017 said this was because their existing tariff or supplier was satisfactory.</td>
</tr>
</tbody>
</table>

In 2017, 50% of consumers said that they were fairly or completely familiar with the features of their current tariff, while 48% said that they were not very or not at all familiar with them. In 2016, 78% of consumers found it very or quite easy to find information about their current tariff or energy use, and 70% found it easy to understand. Anecdotal evidence suggests that the Tariff Information Label and “about your tariff” summary box are useful for third parties advising consumers on aspects of their energy supply, though some consumers may struggle to understand them due to a perception that some of the language used is technical jargon.

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35. Further evidence that we have referred to as part of our policy development is included in annex 2 – summary of evidence used to inform our proposals, which is published alongside this consultation.
38. Ibid
39. Ibid
40. Ibid
Recall and effect of the cheapest tariff message as a prompt to engage

In 2016, 34% of consumers surveyed remembered getting a cheapest tariff message. Of these, the largest proportion saw it on their Bill (36%). Of those that remembered seeing the cheapest tariff message, 34% were encouraged to check their current tariff, 29% to compare their current tariff against others, and 25% to switch tariff or supplier.42

In 2017, of all the consumers who switched gas or electricity supplier or tariff, or compared suppliers or tariffs in the past 12 months, 3% were prompted to do so by the cheapest tariff message.43

Consumers tell us that they find the cheapest tariff message valuable, but they are not always aware of it and they can find some of the jargon confusing – eg cheapest “similar” versus cheapest “overall”.44

Recall and effect of the Estimated Annual Cost

In 2016, 34% of consumers recalled seeing a version of their Estimated Annual Cost. Of those that saw it, 31% were at least somewhat encouraged to check their current tariff, 27% to compare their current tariff with others, and 24% to switch tariff or supplier.45

3.8. Evidence from our recent research with young people (15-24)46 suggests that digital tools such as apps will be an important way for suppliers to encourage and enable younger consumers to engage with their energy supply. Young people would like to be able to use apps to both view and control their energy consumption – for example to see what appliances are consuming most energy and to be able to switch these off remotely. Young people also highlighted the importance of jargon-free and clearly-presented information – they view this as particularly important for those becoming responsible for their energy supply for the first time.

Stakeholder feedback to date

3.9. Stakeholders share our view of the importance of encouraging and enabling consumer engagement, and generally feel that suppliers are best placed to understand what works best for their own customers. Many are concerned that the length of communications can cause consumers to disengage. Some have also suggested that prescriptive formatting requirements can disrupt the “flow” of

42 TNS BMRB, Consumer engagement in the energy market since the Retail Market Review: 2016 survey findings, August 2016.
43 Ofgem, Consumer engagement survey 2017, September 2017
44 Revealing Reality, Ofgem Consumer First Panel, Year 9 Wave 1 – Understanding information needs, December 2017.
45 TNS BMRB, Consumer engagement in the energy market since the Retail Market Review: 2016 survey findings, August 2016.
46 Research commissioned by Ofgem, which will be published later this year.
communications, making them harder for consumers to find the information they need.

3.10. Several stakeholders have emphasised that engagement does not always equate to switching tariffs or suppliers – consumers who investigate their options and decide they are happy on their current deal should not be viewed as disengaged. Certain suppliers suggested that it is more important for consumers to know that they can switch and what they can get out of it, rather than telling them they should switch.

3.11. Stakeholders strongly supported the draft proposal from our December working paper to remove prescription from the encourage and enable rules, and rely instead on new principles requiring suppliers to make sure they provide consumers with the information they need to engage effectively.

**Issues to consider**

3.12. The content, form and frequency of communications are each important in determining how effective they are in encouraging and enabling engagement. We outline our thinking on each of these three key considerations below.

**Content**

3.13. The content of the communications that consumers receive from suppliers should prompt them to engage, and support them when they choose to do so. Our current rules attempt to deliver this by specifying some of the information that must be included on customer communications.

3.14. This approach can help to provide consistency across suppliers in the information that consumers receive. This can be important where suppliers may not have sufficient market incentives to provide certain types of information to consumers – for example, suppliers have limited incentives to encourage consumers to compare and potentially switch to another supplier.

3.15. However, prescribing the information that must be included on communications can have a number of potential drawbacks, including that there is:

- **Less room to tailor communications to consumer preferences.** One-size-fits-all communications may work for some consumers but not others, meaning that some consumers lose out – we have seen with the cheapest tariff message, for instance, that it tends to act as a less effective prompt for those that are currently disengaged.

- **Less flexibility to adapt communications over time** to ensure they continue to be engaging. What encourages and enables engagement today may not do so in future – for example, as an increasing number of innovative time-of-use and demand-side response tariffs come to market.
3.16. In addition, we are conscious of consumer and stakeholder feedback about the length of communications. Consumers are less likely to engage with long communications. We want our new rules to facilitate customer communications that are as short, simple and engaging as possible.

**Format, layout and wording**

3.17. In certain cases, we currently prescribe not only the content of communications, but also the form in which specific information must appear – for example where it appears on a given communication, its formatting and the wording to be used.

3.18. This can help to ensure that specific information is presented transparently and given a certain prominence. For example, we have tried to maximise the proportion of consumers that see (and are prompted by) the cheapest tariff message by requiring that it appear on all regular communications, including on the front page of the Bill. We want to make sure that important information is not buried at the back of communications, or hidden in dense blocks of text.

3.19. However, adopting a prescriptive approach to the placement of this information may disrupt the intuitive flow of a document. We have, for instance, seen evidence that a greater proportion of consumers are prompted to engage when the cheapest tariff message is featured in a different place on the Bill.

3.20. We are also concerned that if consumers repeatedly see the same communication, with the same layout, they are less likely to engage with it. Similarly, what works now may not continue to work in future. This is particularly the case for the Tariff Information Label – the current prescribed format of the Label may be effective for the relatively straightforward tariffs that dominate the market now. However, this format may not be as effective in enabling consumers to engage with more complex, multi-rate tariffs. In both cases, allowing some flexibility for the format, layout and wording of communications to evolve over time may be beneficial.

**Frequency and timing**

3.21. It is important that consumers get information that encourages and enables them to engage at the right time. The current rules guarantee that consumers receive prompts and other key information every time they get a Bill or other regular communication.

3.22. We still want suppliers to provide information-based prompts, and to give them appropriate prominence in their communications. However, we want to see suppliers do more to ensure consumers are prompted to engage and given the tools to do so at the right time. We know from some of the evidence we’ve seen that the timing of communications can have an important bearing on whether consumers take any action or not.
3.23. As well as retaining the requirement for the cheapest tariff message, we expect suppliers to think harder about other prompts that may help their customers engage more effectively. Certain events, such as the end of a fixed-term tariff or a price increase, are clear points at which a consumer is likely to engage. However, we want suppliers to do more to encourage consumers to engage at other times. This includes encouraging them not just to consider switching tariff or supplier, but also to encourage and enable them to engage with their current energy supply arrangements by managing their consumption or load shifting for instance.

Our proposals

3.24. To make sure consumers have the information they need to effectively engage now, while making sure communications are capable of evolving with changes in the market, we propose to introduce two new principles requiring suppliers to put in place measures to encourage and enable consumers to engage. The new principles would reflect the policy intent of the existing rules, allowing us to remove a number of existing prescriptive requirements.

3.25. Below we outline the two proposed new encourage and enable principles, followed by key pieces of prescription we intend to amend. We also summarise prescription we propose to remove and how we expect the changes would benefit consumers. A full description of the proposed licence changes has been published in annex 1 – proposed package of changes to customer communications rules, which is published alongside this document.

**Principles: Encourage and Enable**

**Contract choices**

1. The licensee must ensure that it provides information, services and/or tools for each Domestic Customer at all Key Engagement Points and throughout each year that, taking into account that Domestic Customer's characteristics, preferences and current Tariff, is effective in:
   a. Enabling that Domestic Customer to understand that they can switch Tariff and Energy Supplier, and how they may benefit financially from doing so.
   b. Encouraging that Domestic Customer to consider their options relating to contracts and terms, including their choice of Tariff.

**Consumption and cost choices**

2. The licensee must ensure that it provides information, services and/or tools for each Domestic Customer throughout each year that, taking into account that Domestic Customer's characteristics, preferences and current Tariff, is effective in:
   a. Enabling that Domestic Customer to understand the key features of their Tariff, including any Charges, and make timely choices in how and when they consume [electricity/gas].
   b. Encouraging that Domestic Customer to consider their options to improve their ability
to manage costs and consumption, including ways to be more efficient and flexible in how that Domestic Customer consumes [electricity/gas].

**Key Engagement Points:** Points in time where a Domestic Customer is likely to want to consider, or could benefit from considering, their options relating to contracts and terms, including their choice of Tariff.

3.26. By focusing on prompting consumers to engage, and on the options a consumer has for managing their costs and consumption, the new principles would complement the existing Standards of Conduct and SLC 25 informed choices principles. In doing so, we would provide comprehensive protection for consumers now and in future.

3.27. Our proposed new principles include a new defined term, “Key Engagement Points”, to determine when suppliers should provide certain information to consumers. Key Engagement Points are points in time when a consumer is likely to want to consider, or could benefit from considering, their options relating to choice of tariff or other aspects of their contract. By including this definition we would put the onus on suppliers to consider the most appropriate times to provide this information, rather than specifying a minimum frequency that could act as a target rather than a backstop.

3.28. We do not propose to define precisely what constitutes a “Key Engagement Point” as this is likely to be consumer- and context-specific. We anticipate that it would include, but not be limited to, points in time before price increases and the end of fixed-term tariffs, and most Bills (suppliers will need to consider matters such as a consumer’s billing frequency when deciding whether a Bill is a Key Engagement Point).

3.29. We propose to amend requirements relating to the cheapest tariff message, Tariff Information Label and “about your tariff” box, among other information. We propose to substantially reduce the level of prescription of these rules while retaining their overall policy intent, to allow suppliers greater flexibility in how they deliver the information. We summarise the parts of these requirements that we intend to amend, retain and remove below.

**Changes to prescription**

**Cheapest tariff message**

- **Remove:** We propose to remove the content and placement requirements for the cheapest tariff message.
- **Amend/retain:** We propose to substantially reduce the prescription of the current rules. Our amended requirement would require suppliers to clearly inform consumers, at
Key Engagement Points and throughout each year, of how much they could save by switching to the cheapest similar and cheapest overall tariffs available from their supplier.\textsuperscript{47}

This is not an opportunity for suppliers to reduce the number or quality of prompts they provide to consumers. Rather, we propose to reduce the prescription of the rules so that suppliers are able to enhance the prompts they provide to consumers. Where suppliers make changes to the cheapest tariff message, we expect that they do so on the basis of robust evidence and the intention of delivering better prompts to encourage consumers to engage.

\textit{T tariff Information Label}

- **Remove**: We propose to remove the prescriptive content and formatting requirements relating to the Label.
- **Amend/retain**: We would instead put in place an amended requirement for suppliers to make available, online and on request, in a table or other easy-to-compare format, an easily identifiable and comparable list of the key features of each of their tariffs. This list of key features must be provided in a consolidated way. We would retain the requirement for the Label to be provided at the same time as principal terms.\textsuperscript{48}

These changes would ensure that consumers can continue to access easily-comparable summaries of the key features of suppliers’ tariffs, while allowing the Labels to change as the market does.

\textit{“About your tariff” box}

- **Remove**: We propose to remove prescriptive content and placement requirements relating to the “about your tariff” box.
- **Amend/retain**: We propose to replace the existing rules with a requirement for suppliers to provide consumers with the key information they would need should they wish to compare tariffs across the market, for example using a price comparison site. This information should be appropriately signposted, provided in a consolidated way, easy to distinguish from the rest of the communication and provided on the Bill and at Key Engagement Points.

These changes would ensure that consumers get the information they need to enable them to compare and would allow this information to be personalised.

\textit{Estimated Annual Cost}

- **Remove**: We propose to remove specific prescriptive requirements setting out where the Estimated Annual Cost should be provided.
- **Amend/retain**: We propose to require that the Estimated Annual Cost is provided to consumers at Key Engagement Points. We would retain existing requirements for the Estimated Annual Cost to be an annual figure, and general requirements for when it

\textsuperscript{47} We intend to retain the current rules regarding the treatment of “white label” tariffs for the purposes of the cheapest tariff message. These rules are set out in SLC 31D.20 and 31D.21 of the gas and electricity supply licences.

\textsuperscript{48} This requirement is set out in condition 31E.8 of the gas and electricity supply licence conditions.
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should be provided, eg at point of sale.

Other requirements

• **Remove**: We propose to remove prescriptive rules requiring that a consumer should be reminded of their ability to switch tariffs and suppliers\(^{49}\), and rely instead on the proposed new “encourage and enable” principle relating to contract choices.

3.30. These changes, taken together, would provide enhanced protections for consumers. They would ensure that consumers have to hand information to encourage and enable them to effectively engage with their energy supply. In practice these changes would mean, for example, that:

- Consumers would continue to get a consolidated set of information at Key Engagement Points to help them compare and switch tariffs, should they choose, and that suppliers would have greater control over how and where this information is presented.

- Consumers continue to be informed of the cheapest tariffs for them with their current supplier, at Key Engagement Points and throughout each year, but the supplier would have greater flexibility over how they present this information.

- Consumers on time-of-use tariffs would have the information they need to be able to understand and manage their costs and consumption, including by adjusting the time at which they use energy in order to reduce their costs.

3.31. We detail the full set of our proposed changes in annex 1 – proposed package of changes to customer communications rules. We also illustrate how the new rules would work in practice in appendix 2 – proposed package of principles and illustrative examples.

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\(^{49}\) For example, SLC 31A.2(g) that requires the exact text “Remember – it might be worth thinking about switching your tariff or supplier” to be included on every Bill.
4. Assistance and advice

Chapter Summary

We propose to remove prescriptive requirements for suppliers to provide certain contact information, and for how they communicate safety information, and replace them with a new assistance and advice principle. These changes would help to make sure that consumers know who to contact if something goes wrong with their energy supply, or if they have a query or complaint.

Question 8: Do you support our package of proposals to change the current customer communications rules to ensure consumers are aware of, and can obtain, “assistance and advice”? Please explain your answer, in particular noting any consequences you envisage for consumer outcomes or suppliers’ ability to innovate.

4.1. It is vital that consumers know who to contact when something goes wrong with their energy supply or if there is an emergency. They should also know who to contact if they have a query or complaint, or are seeking support or advice in relation to their energy supply. This is important for a number of reasons, including consumer safety, ensuring that consumers are able to exercise their right to redress, and ensuring that they can get the right advice when they need it.

4.2. The current licence conditions require, in a prescriptive manner, that suppliers provide their customers with specific information about how and when to contact them or other parties on specific documents and/or at specific times.

4.3. In this chapter, we set out the changes we propose to make to the existing customer communications rules relating to assistance and advice for consumers. We first set out the outcomes we want to see for consumers and provide background to our work in this area. We then set out our recommended changes.

Consumer outcomes we want to see

4.4. Consumers may require assistance for a number of reasons, for instance when:

- They have a query about any aspect of their energy supply, such as how to submit meter readings or how their Bill was calculated.
- They feel something has gone wrong, and they want to exercise their right to complain, and seek redress if their complaint cannot be resolved.
- There is an emergency and they need immediate help to resolve an unexpected situation, such as a gas leak or power outage.

4.5. It is also important that consumers understand what impartial advice is available, and how and where to obtain it so that they contact the right organisations at the right time. This includes advice from independent bodies – relating to, for
example, managing debt and finances, managing consumption and energy efficiency – or general advice on engaging in the market.

Outcomes
We want to make sure that consumers get the right information, in the right form and at the right time, so that:

- Consumers know who to contact, and can easily obtain the relevant contact details if they have a query, want to make a complaint or seek redress, or in an emergency\(^50\)
- Consumers know what their rights are regarding dispute resolution\(^51\)
- Consumers are aware of, and understand, the sources of impartial information and advice that are relevant and available to them, and how to contact the relevant independent parties at the right time.

The current rules, consumers’ experience and stakeholder feedback

The current rules relating to assistance and advice

4.6. We currently have a number of rules that set out assistance and advice that suppliers must provide and/or signpost consumers to. These include\(^52\):

- **Responding to queries:** The Standards of Conduct contain requirements for suppliers to make it easy for consumers to contact the supplier, act promptly and courteously to put things right if they go wrong, and otherwise ensure that customer service arrangements and processes are fit for purpose.\(^53\) These provisions cover how suppliers handle queries and complaints from consumers, and would require, among other things, that consumers know who to contact with a query and how.

- **Enabling consumers to complain and seek redress:** Suppliers must provide consumers with information about their rights relating to dispute settlement on all Bills and promotional materials, or otherwise annually.\(^54\) This

\(^{50}\) While emergency issues may not always be the fault of the supplier (eg network issues), suppliers must ensure consumers are provided with the necessary information to contact the right party.

\(^{51}\) Research has shown that the initial information provided about steps for resolving a complaint is a key driver of consumer satisfaction with the overall complaints handling process. Source: Ofgem, *Complaints to energy companies research report*, September 2016.

\(^{52}\) This list is illustrative of the rules relating to assistance and advice and is not intended to be exhaustive. There may be other rules that apply to suppliers either under our supply licences or other legislation or regulations.

\(^{53}\) The Standards of Conduct are set out in SLC 0 of the gas and electricity supply licences.

\(^{54}\) These requirements are contained in SLC 20.5 of the electricity – and SLC 20.6 of the gas – supply licence conditions.
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information must also be included in domestic supply contracts and deemed contracts.\textsuperscript{55,56}

- **Ensuring consumers know what to do in emergencies**: Suppliers must inform consumers that a (suspected) gas leak should be reported immediately, and provide a phone number for doing so.\textsuperscript{57} Suppliers must also keep consumers informed of the contact details for their electricity network company.\textsuperscript{58}

- **Ensuring consumers know how and where to obtain impartial advice**: Suppliers must inform consumers about the assistance Citizens Advice offer and their contact details. Suppliers must also publish Citizens Advice’s concise guidance and energy consumer guidance on their website, and signpost consumers to this.\textsuperscript{59}

4.7. Suppliers are also required to provide consumers with other information relating to assistance and advice, including about: their policies on representatives visiting consumer premises, disconnections and payment difficulty, the Priority Services Register, managing costs for consumers in financial difficulty, and information about prepayment meters for consumers before they have one installed.

4.8. Other than the Standards of Conduct, the rules in this space are prescriptive and require specific information to be provided on certain documents and/or at certain times. While this approach ensures that all consumers receive the information, it does not mean all consumers know who to contact for assistance and advice and how to do so. To improve outcomes for consumers, we want to put the onus on suppliers to consider how and when information relating to assistance and advice is provided, in addition to what is provided.

*Consumer understanding and behaviour – what the evidence tells us*

4.9. Below we note some of the relevant evidence about consumer awareness of the assistance and advice available to them, and their ability to access this when they need it.\textsuperscript{60} The evidence presents a mixed picture, which could mean that consumers are missing out on important advice or information that could help

\textsuperscript{55} This requirement is contained within SLC 22.5 of the gas and electricity supply licences.
\textsuperscript{56} In addition to the requirements mentioned here, there are separate regulations within the Gas and Electricity (Consumer Complaints Handling Standards) Regulations 2008. These regulations set out the standards that suppliers must meet when handling complaints, including signposting to Ombudsman Services (Energy), though they are not considered within the scope of this work.
\textsuperscript{57} This requirement is contained within SLC 20.1 of the gas supply licence conditions.
\textsuperscript{58} This requirement is contained within SLC 20.1 of the electricity supply licence conditions.
\textsuperscript{59} This requirement is contained within SLC 31 of the gas and electricity supply licence conditions.
\textsuperscript{60} Further evidence that we have referred to as part of our policy development is included in annex 2 – summary of evidence used to inform our proposals – which is published alongside this consultation.
improve their circumstances at some of the most critical points in the consumer journey. In the case of emergencies, the repercussions of insufficient or unclear information could be very serious. As such, we consider there is room for improvement on the current one-size-fits-all approach.

<table>
<thead>
<tr>
<th>Contacting suppliers with queries</th>
<th>In 2017, 17% of consumers said they had contacted their current or previous supplier in the last year, for a reason other than making a complaint or giving a routine meter reading. Evidence about how easy it is to do this shows that standards vary widely across suppliers.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Making and escalating complaints, and seeking redress</td>
<td>In 2016, 77% of domestic complainants said that it was either quite or very easy to find the right details to make a complaint, up from 65% in 2014. However there is still room for improvement, as evidence from a number of sources suggests that consumer recall of this information on a bill is low. Evidence suggests the consumers are less able to identify the most appropriate route to escalate their complaint. Between October 2015 and November 2017, 56% of domestic complaints referred to the Ombudsman Services: Energy were done so before they were within the Ombudsman’s terms of reference. And of those eligible to refer their complaint to the Ombudsman, only a small percentage do so (7% in 2013).</td>
</tr>
<tr>
<td>Emergencies</td>
<td>Evidence shows that in the event of a gas leak or power outage the majority of consumers think they should contact their supplier rather than the network operator. Although suppliers could redirect the consumer to the network operator, this could increase hassle for the consumer, lead to frustration at being redirected, or cause general inefficiencies in industry</td>
</tr>
</tbody>
</table>

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62 Citizens Advice, Compare domestic energy suppliers’ customer service.
63 Which?, How long does your energy company keep you on hold?, November 2017.
64 Quadrangle, Customer satisfaction with energy supplier complaints handling 2016, September 2016.
65 Revealing Reality, Ofgem Consumer First Panel, Year 9, Wave 1 - Understanding information needs, December 2017.
67 Source: Complaints to Ombudsman Services: Energy.
68 Research conducted for Ofgem in 2013 showed that of approximately 88,000 8-week/deadlock letters sent to customers, only 7% of those eligible referred the complaint to the Ombudsman Services: Energy in the 12 months afterwards. Source: GfK, Complaints to Ombudsman Services: Energy, 2013.
69 Revealing Reality, Ofgem Consumer First Panel, Year 9 Wave 1 – Understanding information needs, December 2017.
Stakeholder feedback to date

4.10. Stakeholders share our view of the importance of ensuring consumers are aware of and can get assistance and advice when needed. Suppliers have suggested that they would welcome some additional flexibility in how, and what, information about available assistance and advice they provide to consumers, as this is an area that is currently highly prescribed.

4.11. Stakeholders supported our draft proposal from our December working paper to introduce new principles-based rules for assistance and advice, and remove prescription from the existing rules. Some stakeholder suggested that the two draft principles put forward at that time could be merged into a single one, and others suggested amending the drafting to more clearly articulate the outcomes we expect to see.

Issues to consider

4.12. Information about the assistance and advice, while important, may get lost amid other important information on customer communications. This appears to be borne out by the findings of consumer research in this area. We want to make sure that this information is given appropriate prominence so that consumers are aware of the assistance and advice available to them.

4.13. In certain emergency situations, the consequences of consumers not having clear information to hand could be severe. Recognising this, we do not intend to radically overhaul the rules in this space. Indeed, many of the rules originate from EU requirements, and so are out of scope of this work. As such, we intend to take a cautious approach to the changes we propose to make.

Our proposals

4.14. To ensure consumers are effectively able to manage queries, complaints and emergencies, and to obtain independent advice, we propose to introduce a new principle requiring suppliers to provide information at a frequency and in a form that enables consumers to understand the assistance and advice available to them and how to access it. We propose to remove existing detailed rules where we have scope to do so, and are confident that the proposed principle would support improved consumer outcomes in this important area.

4.15. We set out the new principle we propose to introduce below, followed by a description of the prescription we intend to remove and how we expect the changes would benefit consumers. We detail the full set of our proposed changes in annex 1 – proposed package of changes to customer communications rules. We also illustrate how the new rules would work in practice in appendix 2 – proposed package of principles and illustrative examples.

Principle: Assistance and advice information

3. The licensee must ensure that it provides relevant information about their energy services to each Domestic Customer at a frequency and in a form that enables that Domestic Customer to know how to quickly and easily:

   a. Identify and contact the Relevant Party about a problem, question and/or other request for assistance. This includes, but is not limited to, general or specific queries, complaints, disputes and emergencies;

   b. Seek impartial advice from independent parties such as Citizens Advice or Citizens Advice Scotland;

   c. Identify their rights as regards to the means of dispute settlement, including how to access to any Relevant Ombudsman, in the event of a dispute with a Relevant Party; and

   d. Access assistance. This includes, but is not limited to information about:

      i. Managing debt and finances;

      ii. Managing energy consumption and associated costs; and

      iii. Energy efficiency, social and financial programmes.

Relevant Party: All relevant party/parties in relation to a Domestic Customer’s energy supply. This includes, but is not limited to, the licensee, their Representatives or energy network companies.

4.16. The prescriptive requirements that we propose to remove or change include:
For electricity, we propose to remove the requirement for suppliers to inform consumers of their electricity network company’s address and telephone number, including on the Bill.73

For gas, we propose to remove prescriptive requirements specifying how suppliers should inform consumers of how to report (suspected) leaks and to provide a phone number for doing so.74 Suppliers would have flexibility over how they provide this to consumers, though we would retain the requirement for them to provide the information75 as this is a minimum health and safety standard.76

4.17. We propose to retain prescription in the other areas relating to assistance and advice. In many cases these rules contain minimum standards that set out our explicit expectations for the protection of customers, especially those in vulnerable situations. Some of these rules are also transposed from EU legislation so are out of scope for us to change. The information we propose to continue to require suppliers to provide includes information about dispute settlement77, Citizens Advice78, Energy Consumer Guidance79, energy efficiency80, site access81, disconnections82, payment difficulties83 and the Priority Services Register84.

4.18. In practice, these proposals would mean that assistance and advice information should be a key consideration for suppliers as part of their customer service offering. Relying on a principle means suppliers will need to think more holistically about ensuring customers know how to find appropriate assistance and advice, rather than just including standard lines on certain communications as the rules currently require them to do.

73 SLC 20.1-20.3 of the electricity supply licence.
74 SLC 20.2-20.4 of the gas supply licence.
75 SLC 20.1 of the gas supply licence.
76 We have discussed our proposals with the Health and Safety Executive, who are broadly supportive as long as customers are still able to find emergency contact details when they need them. They noted that moving towards principles-based rules is the general direction of travel in health and safety legislation as well.
77 SLC 20.5 of the electricity supply licence and SLC 20.6 of the gas supply licence.
78 SLC 31.1 of the gas and electricity supply licences.
79 SLC 31.4-31.8 of the electricity supply licence and SLC 31.5-31.9 of the gas supply licence.
80 SLC 31.2-31.3 of the gas and electricity supply licences.
81 SLC 13 of the gas and electricity supply licences.
82 SLC 12A.11(c) of the electricity supply licence, SLC 12A.12(c) of the gas supply licence, and SLC 27.9 of the gas and electricity supply licences.
83 SLC 27.5-27.6 of the gas and electricity supply licences.
84 SLC 26 of the gas and electricity supply licences.
5. Bills and billing information

Chapter Summary

We propose to introduce a new billing principle to ensure all consumers get key billing information in a form, and at a frequency, that helps them to manage their finances. We also intend to remove a number of prescriptive requirements regarding the content, format, layout, wording, frequency and timing of Bills. These changes would facilitate shorter Bills that ensure consumers get the information they need to be able to manage their costs and consumption.

Question 9: Do you support our proposed changes to the customer communications rules relating to “Bills and billing information”? Please explain your answer, in particular noting any consequences you envisage for consumer outcomes or suppliers’ ability to innovate.

Question 10: Do you agree with the distinction between billing information and Bills?

Question 11: Do you agree our principle reflects the different needs and circumstances of different customer groups, including prepayment customers?

5.1. It is essential that consumers know how much they have paid, or will need to pay, for their energy so that they can manage their costs and budget effectively. The Bill is an important way of communicating this information to consumers. It is also likely to be the most prominent, and in some cases the most regular, communication that consumers receive from their supplier. As such, for many consumers it has an important role to play in providing them with other non-billing information to help them effectively manage their energy supply.

5.2. There are currently a significant number of rules prescribing elements of the content and formatting of Bills. Stakeholders have consistently identified the Bill as an area where a reduction in prescription would facilitate a shorter, more engaging communication.

5.3. In this chapter, we set out the changes we propose to make to the rules relating to Bills and billing information. We first summarise the outcomes we want to see for consumers and provide background to our work in this area. We then outline

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85 In this chapter we use the term “Bill” to also refer to the statement of account, which is provided to direct debit and prepayment customers. The requirements for the Bill and statement of account are largely identical and we envisage that the changes we propose to make would apply to both. Billing information, about a consumer’s charges, is an important part of the content of Bills, though they also play a role in providing consumers with other information such as prompts to encourage them to engage and information to help them switch should they wish to. We cover the distinction between Bills and billing information in greater detail later in this chapter.
certain policy issues and options we have considered and set out our recommended changes.

**Consumer outcomes we want to see**

5.4. While the primary function of Bills is (and continues to be) a means for a supplier to request payment and provide consumers with billing information, they are also an opportunity to convey other important information to consumers – for example prompts to encourage them to engage, information to support tariff comparisons, and where to obtain independent energy efficiency advice. We expect suppliers to carefully consider the role of the Bill in the context of achieving the outcomes of our “assistance and advice” and “encourage and enable” principles. In future, we may see innovation in how billing information is provided – there may be greater use of mobile apps, push notifications or other forms of communication for instance.

**Outcomes**

The purpose of Bills and billing information is to inform consumers of the cost of their energy supply and any payments that they have made or will need to make. The outcomes we expect from Bills and billing information are that:

- **All domestic consumers have the information they need to understand what they are being charged.** This includes whether the consumption used to calculate their costs is estimated or actual, and all relevant charges, fees and discounts.

- **All domestic consumers have the information they need, on a sufficiently frequent basis, to effectively manage their costs and consumption.** This includes enabling consumers to understand the link between their costs and how much they consume (and sometimes when they consume), and being able to use this information to adjust their behaviour to reduce their costs should they wish to.

**The current rules, consumers’ experience and stakeholder feedback**

**Current rules for Bill and billing information**

5.5. We currently have a number of rules specifying the frequency, content and form of Bills and billing information. We include a brief summary of some of the relevant rules below. Some of these requirements are covered in detail in other

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86 In the case of a statement of account it is a reconciliation of costs and charges.

87 This list of requirements is not an exhaustive list of the rules relating to Bills and billing information.
chapters, so we do not duplicate this discussion here. Others were introduced by government or derive from EU requirements and are out of scope of this project – we have noted where this is the case in the table.\textsuperscript{88}

<table>
<thead>
<tr>
<th><strong>Frequency</strong>\textsuperscript{89}</th>
<th>Bills made available twice a year, or quarterly online on request – not required for smart or prepayment meter customers (EU requirement)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Content</strong>\textsuperscript{90}</td>
<td>Billing information required on Bills. The list below is non-exhaustive and includes only that information within the scope of this chapter – information such as the cheapest tariff message and emergency contact information are discussed in detail in other chapters and are not duplicated here.</td>
</tr>
</tbody>
</table>

**In scope:**
- Explanation of how demands for payment are calculated from amount of gas supplied (gas only, including calorific value and conversion factor)
- Supply number/Meter Point Reference Number (MPRN)
- Information about restricted meters
- Annual consumption details
- Fixed term contract end date
- Payment method
- Termination fees
- Tariff name

**Out of scope (EU/government):**
- Making it clear whether any consumption estimates have been used in producing information
- Green deal charges
- Green deal impartial advice
- Dispute settlement information
- Fuel mix information
- Citizens Advice contact details
- Comparison of costs those of the same period last year
- QR code

**Format, layout and wording:**
- Must be made available to consumers
- The positioning and format of the cheapest tariff message and “about your tariff” box are prescribed

\textsuperscript{88} To be clear, we do not intend to remove or amend prescription where the rules were introduced by government or derived from EU requirements. When we say these rules are “out of scope” this does not imply that new or existing principles would not apply in these areas. \textsuperscript{89} Billing frequency requirements are set out in SLC 21B of the gas and electricity supply licence conditions. \textsuperscript{90} Content requirements for Bills can be found in SLCs 20 (disputes), 21 (fuel mix), 22G (restricted meters), 31 (general information), 31A, and 37 (Green Deal) of the gas and electricity supply licence conditions.
5.6. We have also recently introduced backbilling protections for both domestic and non-domestic consumers. Suppliers are limited to only charging for energy consumed in the last 12 months. This requires suppliers to bill their customers in a timely and accurate manner.

Consumer understanding and behaviour – what the evidence tells us

5.7. Below we note some of the relevant evidence about current consumer engagement with Bills. The evidence about how effective Bills are at communicating key messages, and how well consumers understand them, is mixed. As such, we consider that there is room for much more to be done to maximise the effectiveness of Bills, both as prompts to engage and sources of important information.

| Overall engagement with Bills | In 2017, 71% of respondents recalled receiving at least one bill or statement of account from their supplier in the previous 12 months. This was the highest recall rate of all regulated communications, suggesting that Bills are currently the most common and/or memorable communications from suppliers.

Of those who recalled receiving a bill and had also compared or switched tariff or supplier in the previous 12 months, 12% were prompted to do so following receipt of a bill or statement of account from their supplier. |
|---|
| Frequency of Bills | Available evidence suggests that there is no standard billing frequency that is optimal for all consumers. Different consumers have very different needs and preferences depending on their circumstances.

Research commissioned by Citizens Advice in 2015 found that most consumers wanted Bills either quarterly (46%) or monthly (35%). Most consumers wanted Bills at their current frequency or more often, with very few consumers wanting less regular Bills. This was the case regardless of the consumer’s current Bill frequency. |
| Content of Bills | In our 2017 survey, 66% of respondents said they can very easily (26%) or fairly easily (40%) understand their energy Bill. However, our qualitative evidence has consistently suggested that many consumers find it difficult to... |

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91 This requirement has a small number of limited exceptions. Ofgem, Modification of the electricity and gas supply licences to introduce rules on backbilling to improve customer outcomes, March 2018.
92 Further evidence that we have referred to as part of our policy development is included in annex 2 – summary of evidence used to inform our proposals, which is published alongside this consultation.
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understand their energy Bills, and they can find the volume of information on Bills overwhelming. While some panellists found the Bill overwhelming, they found the individual bits of information within a Bill useful.

Supplier research has found that on average consumers spend 20 seconds reading their Bill. The first page of the Bill is particularly vital as it’s likely to be the one customers spend most time on.

Our Consumer Panel research found that the presentation of Bills can be disengaging (for example because of a proliferation of text) meaning that most panellists failed to realise a lot of the information in Bills even existed. A number of suppliers have trialled different Bill formats, often receiving positive feedback from consumers.

**Stakeholder feedback to date**

5.8. Stakeholders have argued that the Bill is a communication that can sometimes be seen as the default home for all information for consumers. They have told us that this can diminish the effectiveness of the Bill as consumers can get overwhelmed with information, meaning important messages can get lost. All stakeholders (consumer and industry groups, and suppliers) think the amount of information that needs to be on a Bill should be reduced.

5.9. The current rules do not require consumers with prepayment meters to be sent statements of account. In our December working paper, we proposed that a new billing principle would cover all consumers, so prepayment customers would get more regular information to help them manage their costs and consumption. A number of stakeholders, particularly consumer groups, strongly support this proposal.

5.10. In response to the December working paper, many stakeholders emphasised that the new billing principle, and any remaining prescription, should not restrict innovation in the way Bills are provided. They were keen that suppliers are able to provide Bills in electronic formats rather than just in paper or PDF forms.

5.11. All stakeholders strongly felt that the frequency of billing should be led by consumer preferences rather than by setting a single default. One supplier suggested that the rules around frequency should distinguish between requests for payment, and informing consumers about their account balance.

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95 Revealing Reality, *Ofgem Consumer First Panel, Year 9 Wave 1 – Understanding information needs*, December 2017.

96 Source: British Gas research shared with Ofgem.
Issues to consider

5.12. The content, form and frequency of billing communications are each important in determining how informative and engaging they are. We outline our thinking on each of these three key considerations below. We first set out our thinking on the important differences between “Bills” and “billing information”.

Bills and billing information

5.13. A Bill, as defined the supply licences, is “an invoice or demand for payment or any other instrument of the same or similar character or purpose”. The Bill plays a key role in helping consumers to understand what they are being charged and what they have paid or need to pay. Billing information, covering what a consumer has to pay and how this has been calculated, provides complementary explanations to Bills and statement of accounts. Bills need to be accompanied by billing information so that consumers understand what they are being charged for. However, the Bill is also used to convey other important information, such as Citizens Advice contact details, so that consumers have this to hand should they need it.

5.14. Providing some billing information separately from Bills, on a more frequent basis, could improve consumers’ understanding of what they are consuming and what their energy is costing them. This could better enable them to manage their costs and consumption without requiring suppliers to send additional Bills. This billing information could take the form of monthly or year-to-date cost and consumption totals, and how these have been calculated, on a mobile app or other device. This may be particularly relevant for consumers who pre-pay for their energy.

5.15. Bills and billing information can each play an important part in helping consumers to understand their costs and consumption. We expect suppliers to consider the role of both, and design their billing communications to deliver positive outcomes for consumers.

Content

5.16. Based on consumer evidence and stakeholder views, we consider there are benefits to reducing the amount of content that needs to be on every Bill. Although we intend to remove some prescriptive content from Bills, evidence suggests that they are still an effective way to communicate information to consumers. We therefore expect suppliers to think carefully about how they balance the amount of information on Bills to ensure consumers are not overwhelmed, while taking advantage of the opportunity the Bill provides to deliver important information to consumers.

Format, layout and wording

5.17. We agree with stakeholders that removing prescription around formatting and layout of Bills and billing information would allow for innovation as new technologies enable suppliers to communicate with their customers in new ways.
5.18. Our current rules require that Bills must be “made available” to consumers. We believe that requiring instead that Bills are “provided” to consumers may better reflect the outcomes we expect to see – suppliers should ensure that they give consumers the information they need, or signpost them to it, instead of relying on them to taking proactive steps to find available Bills or billing information.

5.19. We do not think that Bills or billing information need to be provided via a particular technology or format. However, suppliers need to think about the characteristics and preferences of consumers in determining appropriate communication channels.

5.20. Bills are often used by consumers as reference documents. This can help them to manage and understand their costs and consumption and to access and use information to compare tariffs or to contact independent sources of advice such as Citizens Advice. To enable this, it may be sensible to include a requirement within our billing rules that would make it easy for a consumer to retain a copy or record of their Bill for future reference.

**Frequency and timing**

5.21. Smart meters are in the process of being rolled out to domestic consumers, so the number of consumers covered by the current minimum billing frequency rules is likely to fall dramatically in the coming years. Under current rules, it is possible that smart and prepayment meter customers could be missing out on information that is being provided more regularly to traditional credit customers. We consider that all consumers should be provided with the Bills and billing information they need, regardless of meter type or payment method. Therefore, we believe that any new billing rules should apply to all domestic consumers. We do however recognise that the approach to achieving the desired outcomes may differ depending on the technical abilities and limitations of different meter types.

5.22. From the available evidence, it does not appear that there is one “right” frequency for Bills or billing information for all consumers. As such, it may not be appropriate to define a set frequency, and instead put the onus on suppliers to take into account consumer preferences when deciding their billing frequency.

**Our proposals**

5.23. We have evaluated the combined effect of current rules, taking evidence from consumers and wider stakeholders, which suggests that significant improvements can be made to our rules related to billing. We therefore propose to introduce a new Bills and billing principle, and remove and amend current prescriptive requirements. We set out the changes we propose to make below.

5.24. Our December working paper set out an early draft for a billing principle. We have taken on board stakeholder feedback and additional evidence and revised the drafting to ensure the principle better reflects the outcomes we want to see.
5. We propose to amend requirements relating to frequency, content and format of Bills and billing information. We propose to substantially reduce the level of prescription of these rules while retaining their overall policy intent, to facilitate short, effective billing communications. We summarise the parts of these requirements that we intend to amend, retain and remove below.

**Changes to prescription**

**Content**

- **Remove**: We propose to remove prescriptive requirements for suppliers to provide the cheapest tariff message, Estimated Annual Cost and annual consumption information on the Bill, and instead rely on our new and existing principles to ensure consumers have the information they need to understand their costs and consumption, and are encouraged and enabled to engage.

- **Amend**: We propose to amend requirements related to the “about your tariff” box on Bills, removing prescriptive formatting, content and placement requirements and replacing them with a requirement to provide consumers with the information they need to be able to compare and switch, in a consolidated form.

- **Retain**: We propose to retain the requirements to include consumers’ Meter Point Registration Number or Supply Number on Bills, as we consider this plays a specific and important role on Bills.

**Format, layout and wording**

- **Remove**: We propose to remove all formatting requirements on Bills, and rely instead on our overarching Standards of Conduct to ensure that important information is given appropriate prominence.

- **Amend**: We propose to introduce a new requirement for Bills to be provided in a form that allows consumers to easily retain a copy or which is made easily available for reference. We would not specifically prescribe that Bills should be provided in a particular format, such as in paper or PDF form.
**Frequency and timing**

- **Retain:** The current prescriptive frequency requirements for traditional credit customers (twice a year, or quarterly on request where they manage their account online) for Bills were implemented by government to transpose EU legislation, and are therefore out of scope and will be retained.

5.26. These changes, taken together, would facilitate shorter, more engaging Bills, while continuing to ensure that consumers have the billing information they need to understand their costs and consumption. In practice these proposals would mean that:

- Outcomes for all consumers, including those with prepayment meters, are measured to the same bar. Suppliers would have the flexibility in how and when billing information is communicated – but suppliers should not assume that use of a prepayment meter in and of itself is sufficient to ensure consumers can manage their costs and consumption.

- By providing some flexibility in the frequency, format and content of Bills, suppliers have room to make this information more engaging and relevant. This also means that our rules accommodate new and innovative business models, who may not conform to more traditional billing practices.

5.27. We detail the full set of our proposed changes in annex 1 – proposed package of changes to customer communications rules. We also illustrate how the new rules would work in practice in appendix 2 – proposed package of principles and illustrative examples.
6. Contract changes: price increases and end of fixed-term contracts

Chapter Summary

We propose to amend our current rules relating to the Price Increase Notification and Statement of Renewal Terms to remove prescriptive timing and content requirements, and rely more on principles-based rules. These changes would ensure consumers get all the information they need to manage changes to their contract in adequate time.

Question 12: Do you support our proposed changes to the customer communications rules relating to “contract changes”? Please explain your answer, in particular noting any consequences you envisage for consumer outcomes or suppliers’ ability to innovate.

6.1. It is important for consumers to be able to understand changes to their circumstances, such as price increases or the end of a fixed-term tariff, so that they are able to effectively manage the change. This includes exercising their rights to avoid the impact of the change, where relevant. The Price Increase Notification and the Statement of Renewal Terms play an important role in informing consumers of upcoming changes to their contract and how they can manage these.

6.2. The rules relating to these communications specify their content and format, as well as when they should be sent to consumers. Although these requirements have provided backstop protections for consumers, they may not be maximising the effectiveness of the two notices as prompts for consumers to engage.

6.3. In this chapter, we set out our proposed changes to the rules regarding the Price Increase Notification and Statement of Renewal Terms. We first summarise the outcomes we want to see for consumers and provide background to our work in this area. We then outline certain policy issues and options we have considered and set out our recommended changes.

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97 In this chapter, we use “contract changes” as shorthand to cover changes to a consumer’s current circumstances, including the end of fixed-term tariffs, price increases or other disadvantageous unilateral variations.

98 In this chapter, unless stated otherwise, we use “price increase” as shorthand for any unilateral variation made to a contract by a supplier that is to the consumer’s disadvantage. This could include changes such as an increase in the early termination fees on a contract, for example. Similarly, we use “Price Increase Notification” to refer to any notice sent to the consumer informing them of a disadvantageous unilateral variation, pursuant to SLC 23.

99 The Statement of Renewal Terms is a notice sent to consumers ahead of the end of their fixed-term tariff. It is sometimes referred to as the End of Fixed Term Notice.
Consumer outcomes we want to see

6.4. When a consumer’s contract ends, or when their prices increase, it is important that they can understand what is changing and when, how it will affect them, and what their rights and options are should they wish to avoid the change. Consumers also need to know what to do should they wish to exercise their right to move tariff or supplier. To do this, consumers need to be able to make an informed choice of the right option for them, whether they choose to switch or not.

Outcomes

When their prices are increasing or their contract is ending, consumers should be provided with information ahead of time that enables them to understand:

- the changes that are happening, and when they will happen
- the details of the change, including changes to unit rates, standing charges, discounts or other charges, and what will happen should they take no action
- the impact of the change for them, including the impact on their annual costs
- their options should they wish to avoid the change, for instance by switching to another tariff or supplier, and how they can go about doing so.

Consumers should be provided with this information in adequate time before the change takes effect so that they can assess their options avoid the change should they wish to and so that the notification acts as an effective prompt to encourage them to engage.

The current rules, consumers’ experience and stakeholder feedback

The current rules around changes to contract terms

6.5. The rules setting out the information a supplier must communicate to their customer when their contract is changing largely centre around two notices – the Price Increase Notification\(^{100}\) and the Statement of Renewal Terms\(^{101}\). We currently prescribe the timing and content, as well as certain aspects of the formatting, of both of these notices. We summarise the key features of the notices below.\(^{102}\)

Price

**Timing:** Sent at least 30 days in advance of the price increase

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\(^{100}\) Licence requirements relating to the Price Increase Notification are specified under SLC 23.

\(^{101}\) Licence requirements relating to the Statement of Renewal Terms are specified under SLC 22C.

\(^{102}\) This list of requirements is not an exhaustive list of the rules relating to contract changes. Other rules, both within the supply licences and wider legislation, may also apply.
### Increase Notification

**Content** (non-exhaustive list):
- A clear title explaining what the notice covers
- A comparison of current and new rates for each individual charge that is increasing and a comparison of current and new Estimated Annual Costs
- The main reasons for the increase and the date it will take effect
- A reminder, with prescribed wording, that it may be worth switching and that if the consumer finds the change unacceptable they can end the contract by switching tariff or supplier
- Signposting to impartial switching advice
- The cheapest tariff message
- The consumer’s tariff name, payment method and annual consumption

The supplier may also include signposting to energy efficiency advice, but may not include any information along with the notice other than that prescribed in the licence.

**Format, layout and wording:**
- Some of the prescribed information (e.g., the effective date of the increase, the switching reminder) must be included on the front page of the notice
- The comparison of current and new rates and Estimated Annual Costs must be included in a prescribed format on the front page of the notice

### Statement of Renewal Terms

**Timing:** Sent between 42 and 49 days before the end of the consumer’s current tariff

**Content** (non-exhaustive list):
- A clear title explaining what the notice is for
- The date the consumer’s current tariff will end
- A reminder, with prescribed wording, that it may be worth switching
- Signposting to impartial switching advice
- A statement explaining what will happen if the consumer takes no action, and their Estimated Annual Cost assuming this is the case
- Information about how the consumer can end the contract without penalty
- The cheapest tariff message
- A Tariff Information Label, Estimated Annual Cost and the principal terms for the consumer’s current tariff, the tariff they will be rolled onto should they take no action, and (if the supplier offers it) of the further fixed term period proposed by the supplier

The supplier may not include any information in or alongside the notice other than what is set out in the licence.

6.6. At an earlier stage of this project\(^{103}\), we considered whether we should make changes to notification requirements for changes that have been mutually agreed between the supplier and consumer (for example transferring a tariff to a new address in the case of a house move). However, based on stakeholder feedback and an assessment of the potential positive impact for consumers we have not prioritised changes to mutual variation notices\(^{104}\) at this stage.

\(^{103}\) Ofgem, *Working paper: Domestic supplier-customer communications rulebook reforms*, December 2017

\(^{104}\) Licence requirements relating to mutual variations are specified under SLC 23A.
Consumer understanding and behaviour – what the evidence tells us

6.7. Many of the current Price Increase Notification and Statement of Renewal Terms rules were introduced as part of the Retail Market Review from 2014\(^{105}\), in response to a range of poor practices previously displayed by suppliers. These included sending the notices after the changes had already come into effect, and providing incomplete or misleading information within the notice. The current notices have helped to provide important protections for consumers, though there is room for improvement in how engaging and informative they are. We summarise some of the relevant findings from our consumer research below.

| **Price Increase Notification** | In 2017, 40% of consumers recalled receiving a Price Increase Notification, of whom 42% glanced at it and 49% read it in detail. 81% thought that the notice was clearly presented.\(^{106}\) Of all those respondents who had switched or compared their tariff or supplier in 2017, 17% claimed that they did so because of they received a Price Increase Notification from their supplier. |
| **Statement of Renewal Terms** | In 2017, 25% of consumers recalled receiving a Statement of Renewal Terms, of whom 37% glanced at it and 56% read it in detail. 85% thought that the notice was clearly presented. Of all consumers who reported having compared or switched their tariff or supplier in the previous 12 months, 18% claimed that they did so as a result of receiving an Statement of Renewal Terms from their supplier. This is consumers’ most frequently cited reason for engaging. Levels of consumer engagement at the time fixed-term tariffs end vary substantially across suppliers. Data collected from large and medium suppliers shows that, 90 days after the end of a fixed-term tariff, the proportion of consumers that rolled over onto a default tariff, rather than proactively switching at the end of their fixed term, between August 2016 and October 2017 ranged from 0.2% to 75%.\(^{107}\) |

Stakeholder feedback to date

6.8. Stakeholders have told us that they would like both the Price Increase Notification and Statement of Renewal Terms to be shorter in length – this is particularly so in the case of the latter, in large part because of the requirement to

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\(^{107}\) Source: Data collected by Ofgem from suppliers, November 2017
provide multiple sets of principal terms alongside the main notice. They suggest that the length of the notices can contribute to consumers being deterred from engaging with them beyond a quick glance.

6.9. Suppliers have suggested that reducing some of the content and reformatting the notices would make them more effective at prompting consumer engagement. The findings of trials conducted by suppliers into the effectiveness of different designs for the Statement of Renewal Terms suggests that making changes to the design of the notice can result in a substantial increase in the proportion of consumers that take some form of action after they’ve received it.

6.10. Similarly, some stakeholders have suggested that changing the window within which the notices must be sent may make them more effective as prompts. They suggest that the current notice periods may be too long, and that sending them closer to the effective date of the changes may mean that they act as a more effective call to action.

Issues to consider

6.11. In general, we consider that both the Price Increase Notification and the Statement of Renewal Terms have generally been effective in prompting consumers to take action when their contract is changing, and have helped to protect consumers from some of the poor practices we observed in the market previously. However, as price increases and the end of fixed-term tariffs are crucial engagement points, we want to maximise the effectiveness of the notices that consumers receive at this time. Changes to the content, format and timing of the notices may help achieve this.

Content

6.12. We want to ensure that the Price Increase Notification and Statement of Renewal Terms are as short and simple as possible, while continuing to ensure they provide consumers with the information they need to be able to effectively manage a change to their contract. We have carefully considered whether we can reduce prescription in order to facilitate shorter communications. We believe the existing content of the notices continues to be of value to consumers in managing contract changes. However, it may be more appropriate to signpost to some of this content, rather than to include it directly on the notice.

Format, layout and wording

6.13. We want to ensure that important information about changes to a consumer’s contract is provided prominently and transparently. The current rules prescribe where specific information should appear on the Price Increase Notification and Statement of Renewal Terms so that suppliers have to meet a set minimum standard. However, in general, we consider that suppliers are better-placed to understand their customer’s information needs and decide where information can be presented most effectively.
Frequency and timing

6.14. The current timeframes for sending Price Increase Notifications and Statements of Renewal Terms were designed to ensure consumers have sufficient time to assess their options and switch, should they choose to, before the change comes into effect. The fixed timing, however, may not maximise the effectiveness of the two notices as prompts. A shorter timeframe may mean they act as a better call to action – this is particularly the case in light of the reduced period of time it now takes to switch, which will reduce further in future. Equally, in certain cases a consumer may need to take additional steps, for instance settling debts with their existing supplier, so a longer period may be necessary. We want to make sure that our rules strike an appropriate balance between providing consumers with sufficient notice such that they have time to make the right choice for them, while keeping the sending window sufficiently short so as to effectively prompt consumers to take action.

Types of changes covered by the rules

6.15. Currently, the Price Increase Notification must be sent out whenever the supplier makes a disadvantageous unilateral variation to a contract. This means that if they increased tariff charges or reduced the amount of a discount, for instance, they must notify the consumer 30 days ahead of the change. The current rules do not require suppliers to notify consumers where they have reduced tariff charges. However, in certain circumstances, the consumer could inadvertently end up worse off if they are not aware that their current prices have decreased – for instance where they switch to what they thought was a cheaper tariff but which was more expensive than their current deal, or are not able to react to price signals because time-of-use tariff rates have changed. We consider that in some cases there may be sufficient market incentives for suppliers to want to notify their customers when they have reduced their prices. However, we want to ensure that consumers do not lose out because they do not have up-to-date information about their tariff.

Our proposals

6.16. We propose to introduce a new principle requiring suppliers to ensure consumers have the information they need to be able to understand and manage price increases and the end of their fixed-term tariffs. We set out the new principle below, followed by an outline of the prescription we intend to remove. A full description of the proposed licence changes is included in annex 1 – proposed package of changes to customer communications rules, which has been published alongside this document.
Policy consultation: Domestic supplier-customer communications rulebook reforms

**Principle: Contract changes**

5. The licensee must ensure that it provides notification(s) to each Domestic Customer of any disadvantageous contract change, price change or any renewal of a fixed term contract. Taking into account that Domestic Customer’s characteristics and/or preferences, the notification(s) must:

   a. Be provided in adequate time and in a form that enables that Domestic Customer to make an informed choice and take action to allow them to avoid any changes before they take effect;

   b. Describe what the change is, including an explanation of the reason(s) for the change, any implications of the change if that customer takes no action and when the changes take effect; and

   c. Communicate to the Domestic Customer their rights and options relevant to the change, including those set out in [conditions setting out retained prescription relating to the rights of the consumer].

6.17. This new principle would work in conjunction with our proposed encourage and enable, and assistance and advice principles, as well as the existing Standards of Conduct and SLC 25 informed choices rules. In doing so we would provide future-proofed protections for consumers that can adapt as the market does, including in terms of consumers’ information needs and switching times.

6.18. The new principle would, among other things, require suppliers to notify their customers where they make any change to the contract that is to the customer’s disadvantage. This would include price decreases, where there is a risk that a consumer could make uninformed decisions about switching or when they consume energy, leaving them at a disadvantage.

6.19. We propose to amend requirements relating to frequency, content and format of Price Increase Notifications and Statements of Renewal Terms. We propose to reduce the level of prescription of these rules while retaining their overall policy intent, to facilitate short, effective billing communications. We summarise the parts of these requirements that we intend to amend, retain and remove below.

**Changes to prescription**

**Content**

- **Remove**: We propose to remove the exhaustive and prescriptive list of information that must, and can, be included on the Price Increase Notification and Statement of Renewal Terms. We would instead rely on principles-based requirements to ensure the notices contain the information a consumer needs to manage the contract change. We propose to remove the requirement for suppliers to provide the consumer’s current principal terms with the notice, and instead require that this be signposted to.

- **Retain**: We propose to retain certain elements of the prescriptive content of the notices to ensure consumers continue to receive important basic information – such as what will happen should they not switch and how they can end the contract without incurring any
penalty.

**Format, layout and wording**

- **Remove**: In line with our proposals for other communications, we propose to remove requirements specifying the information that must be placed on the front page of the Price Increase Notification. We would instead rely on overarching Standards of Conduct requirements to ensure that important information is given appropriate prominence. We also propose to remove requirements prescribing the format and wording of specific information on both notices.
- **Retain**: We propose to retain the requirement for the two notices to be provided separately from other communications such as the Bill, so that they are not “lost” amid other important information.

**Frequency and timing**

- **Amend**: We propose to remove the requirement for suppliers to provide the Price Increase Notification and Statement of Renewal Terms at defined points in time. Instead we propose to require suppliers to provide the notices so as to ensure they act as an effective prompt for consumers to engage while ensuring they have time to assess their options and make the right choice for them ahead of the change coming into effect.  

6.20. These changes would ensure consumers have all the information they need to understand and manage changes to their contract. In practice, these proposals would mean that:

- In the event of a contract change, such as a price increase or the end of a fixed-term tariff, all consumers need to be given the time to make informed choices and avoid the change if they wish. Our proposed rules require this of suppliers, while recognising that the amount of time might not be the same for everyone, and may change in future.
- Reducing the number of prescriptive requirements for notifications facilitates suppliers developing more engaging, tailored and accessible messaging to their customers.

6.21. We provide a full description of our proposed changes in annex 1 – proposed package of changes to customer communications rules, which is published alongside this consultation. We also provide illustrative examples of how the new rules would work in practice in appendix 2 – proposed package of principles and illustrative examples, which is included at the end of this document.

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108 This approach is utilised in other regulated sectors, including financial services. This includes communicating changes to charges and T&Cs with reasonable notice before the change takes effect.
7. Annual Statements

Chapter Summary

We propose to remove the requirement for suppliers to provide consumers with an Annual Statement and to rely instead on our new and existing principles. This would help to ensure that consumers continue to receive the important information currently contained within the Annual Statement, while enabling suppliers to develop more effective ways of delivering this information.

Question 13: Do you agree with our proposal to no longer require suppliers to provide Annual Statements?
Question 14: Do you agree that the intended outcomes of the Annual Statement are reflected in our proposed new principles?

7.1. Consumers’ understanding of their tariff, costs and consumption is a crucial part of ensuring good consumer outcomes and effective competition. Consumers who understand their tariff and consumption are better able to make informed decisions about their energy supply.

7.2. The Annual Statement was designed to ensure suppliers deliver this outcome by acting as a single reference document for key information about a consumer’s energy supply and provide a summary of their energy account for the previous year. It also acts as a prompt to encourage consumers to consider their options and engage. The rules related to the Annual Statement are highly prescriptive relative to other communications – they set out all of the content of the communication, as well as much of the formatting and placement of the information.

7.3. In this chapter, we set out our proposed changes to the Annual Statement requirements. We first summarise the outcomes we want to see for consumers and provide background to our work in this area. We then outline certain options we have considered and set out our recommended changes.

Consumer outcomes we want to see

Outcomes

The Annual Statement is intended to improve consumers’ ability to understand and engage with their energy supply. We want to ensure that our rules for customer communications help to:

- Equip consumers with information about their tariff, costs and consumption so that they understand their current circumstances and have the tools to compare their options and choose the right one for them.
- Prompt engagement, raising consumer awareness of the options available to them, including switching tariff or supplier, and how they can take advantage of these options.
The current rules, consumers’ experience and stakeholder feedback

The current rules for Annual Statements

7.4. The Annual Statement was introduced as part of the Energy Supply Probe remedies and then amended during the Retail Market Review. The Retail Market Review changes prescribed the vast majority of the content and formatting of the Annual Statement as we were concerned that consumers were not receiving complete and accurate information. The key elements are summarised below.

<table>
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<th>Annual Statement 109</th>
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<td><strong>Timing:</strong> At least once every 12 months</td>
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**Content** (non-exhaustive list):

- An explanation of the purpose of an Annual Statement
- The cheapest tariff message
- Bar chart or other graph, diagram or infographic displaying information about energy usage
- A reminder, with prescribed wording, that it may be worth switching
- Signposting to impartial switching advice and energy efficiency
- Key information about a consumer’s contract: tariff name, annual consumption, payment method, Estimated Annual Costs and any fixed term period, discounts or termination fees.
- Relevant Principal Terms of the consumer’s contract
- Signposting to the Concise Guidance and Energy Consumer guidance and information about the Confidence Code
- Explanations of key industry terminology
- QR code

The supplier may not include any information along with the notice other than that prescribed in the licence.

**Format, layout and wording:**

- Schedule 4 to SLC 31A provides a template and zones explaining where and how prescribed information needs to be placed
- All relevant Principal Terms must be provided together

Consumer understanding and behaviour – what the evidence tells us

7.5. Below we note some of the relevant evidence about consumer engagement with the Annual Statement. Generally there is no strong evidence that the Annual Statement has been particularly instrumental in improving consumer engagement. However we know that consumers find much of the individual pieces of information on the Annual Statement useful – just not via this channel as currently prescribed.

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109 All rules relating to the Annual Statement are found in Section B of SLC 31A in the gas and electricity supply licences.
Given this, we think there is potential for the outcomes we want to see to be delivered in different and more effective ways.

### Recall of, and engagement with, Annual Statements

In 2017, 59% of consumers recalled receiving an Annual Statement from their supplier.\(^{110}\) Of these, 90% said they read it (42% in detail and 48% glanced at it or skim read it).

Other sources of evidence suggest that consumer recall of the Annual Statement may be lower than this. For example, research by one supplier found that 80% of consumers surveyed didn’t recall the Annual Statement without being prompted, even though they had received it 4 weeks previously.

In 2017, 2% of consumers who had compared or switched their tariff or supplier in the previous 12 months stated that receiving an Annual Statement was their main reason for doing so.

### Content and format/layout

In supplier research into the Annual Statement, consumer awareness of its content focused on the graphic breakdown of energy usage on the front page. Recall of other information in the Statement was much lower.

Of those that claimed to have read their Annual Statement in at least some level of detail in our 2017 survey\(^{111}\), the majority (79%) thought the information was presented quite or very clearly. Supplier research supports this, but highlighted that consumers generally do not find the Annual Statement particularly eye-catching or engaging.

### Timing and effectiveness as a prompt

Evidence about the effectiveness of the Annual Statement as an annual prompt to engage is limited.

Looking at similar communications in other sectors, the FCA has evaluated the effectiveness of its regulator-led annual summaries for domestic banking.\(^{112}\) It concluded that the summaries had no major effects on consumer behaviour. In comparison, it found that commercially-led methods, text and app services, had a substantial effect, reducing overdraft charges and facilitating customers banking with multiple providers.

### Stakeholder feedback to date

7.6. A majority of stakeholders, including some consumer groups, have questioned the value the Annual Statement provides for consumers, and in particular suggested that it does not deliver on its purpose as a prompt to engage. They suggested that this may be due to the fact that, unlike other communications such as the Price Increase Notice, it lacks a clear call to action.

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\(^{111}\) Ibid

\(^{112}\) Financial Conduct Authority, Message received? The impact of annual summaries, text alerts and mobile apps on consumer banking behaviour, March 2015.
7.7. Other stakeholders suggested that the Annual Statement was not an important communication for consumers, for two main reasons. Firstly, they felt consumers receive much of the information contained within the Annual Statement on other communications, so it represents unnecessary duplication. And, secondly, they suggested that as fixed-term tariffs become more prevalent, the Annual Statement will become less important as more consumers will receive Statements of Renewal Terms, which act as a more effective prompt for consumers.

7.8. In our December working paper we put forward the option of removing the requirement for suppliers to provide consumers with an Annual Statement. A significant majority of stakeholders supported this proposal.

**Our proposals**

7.9. In light of evidence from our own and others’ consumer research, we propose to remove the requirement for suppliers to provide an Annual Statement. The Annual Statement does not appear to be utilised as an important reference document by consumers, nor does it appear to be prompting engagement as we might expect.

7.10. We continue to believe that the information contained within the Annual Statement is useful and important for consumers. However, we consider that this information could be made more impactful for consumers by giving suppliers greater flexibility over how and where they present it.

7.11. Instead, we would rely on new and existing principles – in particular our proposed encourage and enable principles (set out in chapter 3) – which would help to ensure that consumers continue to receive prompts and information about their tariff, costs and consumption. We consider that the outcomes we want to see for consumers through the Annual Statement are adequately covered by these principles-based rules.

Relying on principles would also mean that there is greater room for personalisation and for suppliers to explore new and innovative ways of communicating certain pieces of information – using mobile apps to deliver occasional nudges, for instance, rather than providing a lot of information at once.
8. Next steps

8.1. In order to offer stakeholders an opportunity to probe and offer early views on the proposals set out in this consultation, we intend to host a workshop on 30 May 2018. Should you have any questions about the workshop, or is there a particular issue you would like us to focus on in the session, you can get in touch by emailing futureretailregulation@ofgem.gov.uk

8.2. We welcome stakeholder views on the proposals set out in this consultation. Please send your responses to futureretailregulation@ofgem.gov.uk by 21 June 2018. In particular, we would value input on the questions we have outlined throughout this document, and which are included in appendix 1.

8.3. The views and written responses provided by stakeholders will help to determine our next steps, including whether any changes to our proposed policy positions are warranted. Subject to the responses we receive, we intend publish a statutory consultation at the end of the summer, and to issue our decision around the end of the year.
Appendices

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Appendix 1 – Consultation responses and questions

We want to hear from anyone interested in this document. Please send your response to futureterailregulation@ofgem.gov.uk

We’ve asked for your feedback in each of the questions throughout it. Please respond to each one as fully as you can.

Unless you mark your response confidential, we’ll publish it on our website, www.ofgem.gov.uk, and put it in our library. You can ask us to keep your response confidential, and we’ll respect this, subject to obligations to disclose information, for example, under the Freedom of Information Act 2000 or the Environmental Information Regulations 2004. If you want us to keep your response confidential, you should clearly mark your response to that effect and include reasons.

If the information you give in your response contains personal data under the Data Protection Act 1998, the Gas and Electricity Markets Authority will be the data controller. Ofgem uses the information in responses in performing its statutory functions and in accordance with section 105 of the Utilities Act 2000. If you are including any confidential material in your response, please put it in the appendices.

Please respond by 21 June 2018 and send your response to futureterailregulation@ofgem.gov.uk

**Question 1:** Do you agree in general with our proposed reforms to the rules related to supplier-customer communications?

**Question 2:** Do you think our proposals make appropriate use of principles and remove the right amount of prescription? Have we gone too far, or not far enough in removing prescription to enable suppliers to innovate?

**Question 3:** Do you think there are any areas of particular risk to Vulnerable Consumers that are not already addressed in this consultation and/or by the vulnerability principle in the Standards of Conduct?

**Question 4:** Do you support our proposed changes to the rules regarding the (i) content, (ii) format, layout and wording, and (iii) frequency and timing of communications? If not, why not?

**Question 5:** Do you agree with the key features of the new principles: (i) “Key Engagement Points”, (ii) “characteristics and preferences”, and (iii) our expectations of suppliers?

**Question 6:** Do you agree with our package of proposals to change the current customer communications rules to “encourage and enable” engagement? Please
Policy consultation: Domestic supplier-customer communications rulebook reforms

explain your answer, in particular noting any consequences you envisage for consumer outcomes or suppliers’ ability to innovate.

**Question 7:** Do you agree with our definition of Key Engagement Points?

**Question 8:** Do you support our package of proposals to change the current customer communications rules to ensure consumers are aware of, and can obtain, “assistance and advice”? Please explain your answer, in particular noting any consequences you envisage for consumer outcomes or suppliers' ability to innovate.

**Question 9:** Do you support our proposed changes to the customer communications rules relating to “Bills and billing information”? Please explain your answer, in particular noting any consequences you envisage for consumer outcomes or suppliers’ ability to innovate.

**Question 10:** Do you agree with the distinction between billing information and Bills?

**Question 11:** Do you agree our principle reflects the different needs and circumstances of different customer groups, including prepayment customers?

**Question 12:** Do you support our proposed changes to the customer communications rules relating to “contract changes”? Please explain your answer, in particular noting any consequences you envisage for consumer outcomes or suppliers’ ability to innovate.

**Question 13:** Do you agree with our proposal to no longer require suppliers to provide Annual Statements?

**Question 14:** Do you agree that the intended outcomes of the Annual Statement are reflected in our proposed new principles?
Appendix 2 – Proposed package of principles and illustrative examples

**Encourage and Enable**

**Contract choices**

1. The licensee must ensure that it provides information, services and/or tools for each Domestic Customer at all Key Engagement Points and throughout each year that, taking into account that Domestic Customer’s characteristics, preferences and current Tariff, is effective in:

   a. Enabling that Domestic Customer to understand that they can switch Tariff and Energy Supplier, and how they may benefit financially from doing so.

   b. Encouraging that Domestic Customer to consider their options relating to contracts and terms, including their choice of Tariff.

**Consumption and cost choices**

2. The licensee must ensure that it provides information, services and/or tools for each Domestic Customer throughout each year that, taking into account that Domestic Customer’s characteristics, preferences and current Tariff, is effective in:

   a. Enabling that Domestic Customer to understand the key features of their Tariff, including any Charges, and make timely choices in how and when they consume [electricity/gas].

   b. Encouraging that Domestic Customer to consider their options to improve their ability to manage costs and consumption, including ways to be more efficient and flexible in how that Domestic Customer consumes [electricity/gas].

**Key Engagement Points**: Points in time where a Domestic Customer is likely to want to consider, or could benefit from considering, their options relating to contracts and terms, including their choice of Tariff.

**Assistance and advice information**

3. The licensee must ensure that it provides relevant information about their energy services to each Domestic Customer at a frequency and in a form that enables that Domestic Customer to know how to quickly and easily:

   a. Identify and contact the Relevant Party about a problem, question and/or other request for assistance. This includes, but is not limited to, general or specific queries, complaints, disputes and emergencies;

   b. Seek impartial advice from independent parties such as Citizens Advice or Citizens Advice Scotland;

   c. Identify their rights as regards to the means of dispute settlement, including how to access to any Relevant Ombudsman, in the event of a dispute with a Relevant Party;
and
d. Access assistance. This includes, but is not limited to information about:
   i. Managing debt and finances;
   ii. Managing energy consumption and associated costs; and
   iii. Energy efficiency, social and financial programmes.

Relevant Party: All relevant party/parties in relation to a Domestic Customer’s energy supply. This includes, but is not limited to, the licensee, their Representatives or energy network companies.

Bills and billing information

4. The licensee must ensure that they provide Bills, statements of account and/or any relevant billing information to each Domestic Customer, at a frequency and in a form that takes into account that Domestic Customer’s characteristics, preferences and their ability to effectively manage their costs and consumption, including information about:
   a. Any Charges that are, or will be, owed to and/or by the Licensee
   b. How any Charges since the last Bill or statement of account have been calculated, and
   c. When and how that Domestic Customer needs to pay any Charges, leaving adequate time for that Domestic Customer to understand their circumstances and, where appropriate, arrange payment.

Contract changes

5. The licensee must ensure that it provides notification(s) to each Domestic Customer of any disadvantageous contract change, price change or any renewal of a fixed term contract. Taking into account that Domestic Customer’s characteristics and/or preferences, the notification(s) must:
   a. Be provided in adequate time and in a form that enables that Domestic Customer to make an informed choice and take action to allow them to avoid any changes before they take effect;
   b. Describe what the change is, including an explanation of the reason(s) for the change, any implications of the change if that customer takes no action and when the changes take effect; and
   c. Communicate to the Domestic Customer their rights and options relevant to the change, including those set out in [conditions setting out retained prescription relating to the rights of the consumer].
Principles in practice

The below scenarios have been developed as illustrative examples of the way that principles interact with supplier everyday activity. They are intended to represent the types of considerations a supplier may have in their decision-making and process design.

These examples are theoretical, and assume that the particular methods and services the suppliers have chosen are effective in delivering the outcomes they are looking to achieve. These examples focus on the Standards of Conduct, SLC 25 informed choices requirements and the new principles proposed in this consultation – we have not specifically considered the role of any other licence conditions or legislation. In reality, suppliers will need to think comprehensively about what works for their customers and fulfils the outcomes of principles and all other relevant regulations.

Principles by their nature do not prescribe particular ways of achieving a given outcome – therefore we are not suggesting that the below approaches are the only ways that suppliers should or could achieve the outcomes outlined in our principles.

Key:

- **SoC**: Standards of Conduct – SLC 0 (apart from SLC 0.3(d))
- **V**: Vulnerability limb of the Standards of Conduct SLC 0.3(d)
- **IC**: Informed Choices – SLC 25
- **E&E**: Encourage and enable – tbc
- **A&A**: Assistance and advice – tbc
- **B&BI**: Billing and billing information - tbc
- **CPC**: Contract and price changes- tbc
Example 1: Designing communications for a prepay contract

A consumer with a smart meter has switched to a tariff offered by Supplier Z. This tariff allows the consumer to get energy at a reduced price by paying for a year’s energy upfront – which is calculated based on previous consumption. Supplier Z bills the consumer at the start of the year. It is not necessary for the supplier to reconcile payments with actual consumption in the form of another Bill until the end of that year. However, this consumer is unable to manage their consumption or budget effectively without receiving cost and consumption billing information more frequently. The consumer has downloaded Supplier Z’s app on their phone, and indicated this is their preferred communication channel. The supplier uses the app to update the consumer about relevant billing information, such as how much of their prepaid energy they have consumed, how this is calculated and how much they are projected to need to pay, or would be owed, when costs are reconciled at the end of the year. Supplier Z periodically assesses whether this consumer is looking at their app, to ensure that this continues to be an effective way to engage.

When considering compliance with the encourage and enable and assistance and advice principles, Supplier Z has taken account of the fact that this consumer is only receiving a Bill once a year. As a result the supplier has provided the relevant information through other effective means, and considers the consumer’s annual Bill to be a Key Engagement Point.

Example 2: Designing communications for a prepayment customer

Supplier Y’s consumer has traditional gas and electricity prepayment meters. The consumer is not a regular internet user, and prefers to receive supplier communications through the post. The consumer tops up their meters frequently – every 7-10 days.

The consumer is able to see on their meters how much credit they have left. However, they do not know how to find additional information on the meter – such as how much money they are paying over time for their energy or how the costs they are paying are calculated.

To ensure that the consumer understands their costs, and can budget for future energy costs, the supplier decides to provide quarterly statements of account in the post which a) reconcile their payments with actual costs b) explain their tariff and how this translates into what they need to pay and c) sets out a cumulative total of how much the consumer has spent in the last quarter. The supplier also uses this opportunity to also provide some assistance and advice and encourage and enable information. The supplier has identified the September statement as a Key Engagement Point, as the consumer consumes more energy as the weather gets colder, and therefore is more likely to benefit at this time from considering their contract options. The September statement therefore includes information about switching and
Example 3: Responding to consumer concerns

Consumer A takes an active interest in understanding their Bills and thinks about how they consume energy to better manage their consumption.

This consumer has an accident which puts them out of work and consequently struggles to budget for and pay bills, which they are currently receiving every 6 months.

The consumer knows which number to call for a query, as it is clearly set out on the supplier’s website. The consumer wants to see whether they can receive Bills more frequently to help manage their costs. On this call, the supplier identifies that the consumer is in a potentially vulnerable situation, and takes this into account in the assistance they offer.

The supplier offers monthly Bills for some tariffs, but not the one this consumer is currently on. Therefore the supplier explains to the consumer that there are different options they can consider, which include:

- Moving to a tariff with more frequent Bills, and how this might impact the amount they need to pay.
- Provide more frequent billing information within the consumer’s current tariff (eg through an app or utilising an In Home Display device).
- Reminding the consumer to contact Citizens Advice if they want independent advice.

The supplier considers this is likely to constitute a Key Engagement Point, however does not think it would be particularly effective to provide all the information over the phone. The supplier therefore sends a follow up email to the consumer with all the information required to be provided at Key Engagement Points, alongside links to information on energy efficiency and managing costs and consumption.

Example 4: Developing a new complex tariff

Supplier X offers a new dynamic tariff, where hourly unit rates are linked to the level of demand on the local network system. In designing this tariff, the supplier has considered what potential risks of detriment this tariff might pose on consumer, and how they might mitigate this. They want to ensure that consumers will still be able to manage their costs and consumption, and be able to make informed choices about how they consume energy.

As a result they determine that this new tariff is only appropriate for consumers with smart meters. They want to make sure that any consumers who move onto this tariff have an effective way of receiving real-time alerts and updates for what they are paying for energy at a particular time and why. They develop messaging for these alerts, which act as a prompt for
consumers to think about the impact of consuming energy at peak times might be. They develop tailored advice for consumers on this tariff on their website, including information about energy efficiency and load shifting (and by post on request). They make sure this is clearly signposted on all communications to these consumers.

The supplier also thinks about what the appropriate frequency of billing might be for this tariff. They determine that the best way for a consumer to be able to manage their costs and consumption is to provide useful billing information in daily emails, which set out what the consumer spent that day, how this has been calculated and a cumulative total of what their next Bill payment will be. The supplier’s default payment frequency for this tariff is quarterly. To account for consumer preferences, they offer a limited range of other billing options to consumers – such as texts instead of emails, weekly instead of daily billing information and monthly Bills.

Example 5: Communicating a price change

Supplier W modifies the prices of one of their tariffs. The change consists of a reduction in standing charge by 2p, and an increase in unit rate of 1p. The supplier identifies all the consumers who will be impacted by the change. They also consider how far in advance to notify consumers of the change. Using this information, and previous experience and research they have undertaken, they know that most consumers are likely to engage in some way if they are notified at a particular time. However, they have identified that there are segments of consumers with particular characteristics or preferences, which require special consideration, as they are less likely to engage when given the supplier’s standard notice period. This includes those with particular vulnerabilities, which mean they would benefit from a longer notice period.

In designing the content of the notice, the supplier ensures that they clearly set out the information that is most important for the consumer to understand. They also ensure that they are presenting information that is honest and does not create imbalance in their rights or interests over those of their consumer. This includes explaining the impact of the change in a way that is meaningful to the consumer. They also think about how to incorporate the information required at this Key Engagement Point to make the notification clear and engaging.

As business as usual, Supplier W actively seeks to understand how their customers prefer to be contacted. They use this information to segment consumers and communicate with them through their chosen channel.
Appendix 3 – Feedback questionnaire

We believe that consultation is at the heart of good policy development. We are keen to hear your comments about how we’ve conducted this consultation. We’d also like to get your answers to these questions:

1. Do you have any comments about the overall process of this consultation?
2. Do you have any comments about its tone and content?
3. Was it easy to read and understand? Or could it have been better written?
4. Were its conclusions balanced?
5. Did it make reasoned recommendations for improvement?
6. Any further comments?

Please send your comments to stakeholders@ofgem.gov.uk.