

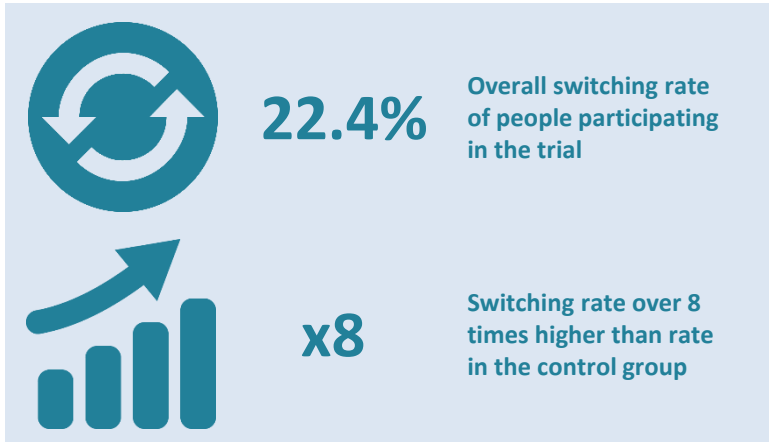
Active Choice Collective Switch
Headline Results

August 2018

ofgem

- In February 2018 Ofgem published our intent to run a collective switch trial, as part of testing different approaches for engaging disengaged consumers (on a standard variable tariff for three years or more).
- Ofgem have been undertaking this work in response to the Competition and Markets Authority (CMA) investigation, that concluded there was an Adverse Effect on Competition (AEC) stemming from a lack of consumer engagement in the retail energy market. The CMA found that this AEC resulted in an annual consumer detriment of £1.4bn.
- The Active Choice Collective Switch offered an exclusive tariff negotiated by an Ofgem-appointed independent price comparison service, Energyhelpline. The trial tested the impact on switching rates for those offered the exclusive tariff and help with the switching service compared to a 'control group' which received no information.
- One of the largest energy suppliers worked with Ofgem for the trial. 50,000 of their customers who had been on the standard variable tariff for at least 3 years were offered the opportunity to take part.
- The trial ran between February and April 2018 and was designed to be straightforward for customers. Unlike other collective switches, participants did not need to enter their existing energy tariff details in order to have their projected personal savings calculated for them.
- Customers who contacted Energyhelpline also received the results of an open market tariff search, giving them a range of deals to choose from, helping them to make an informed choice.

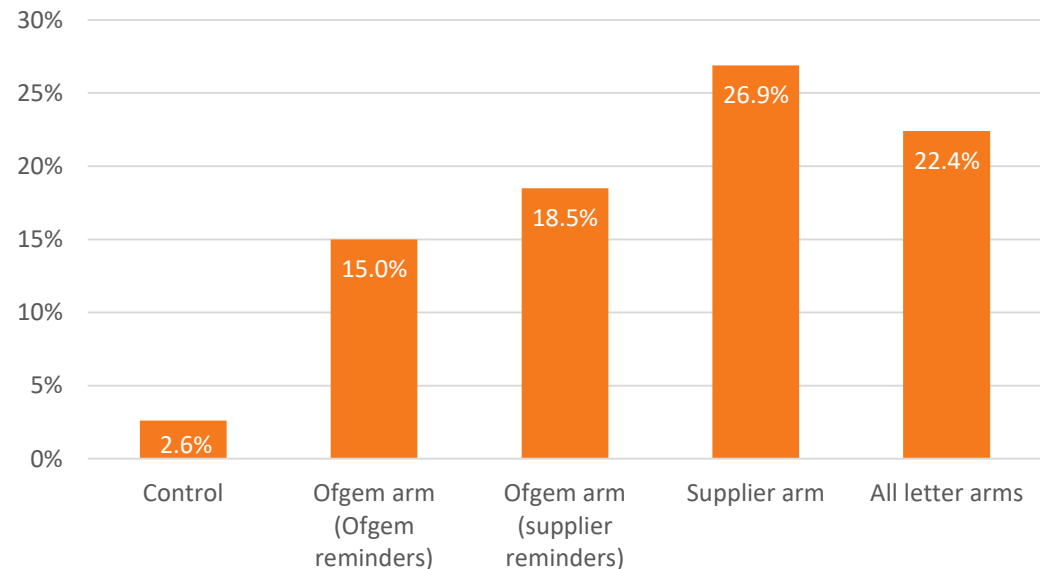
- Disengaged customers in the trial were able to exercise their right to 'opt-out' of having their savings calculated. 0.1% of customers in the trial chose to opt out.
- On average, disengaged customers in the trial had been with their current supplier for six and a half years.
- Those that did not 'opt-out' from the collective switch then received a projected saving and could then decide whether to switch or not (the 'active choice' element).
- Energyhelpline negotiated a competitively priced tariff for the collective switch, taking account of customer service ratings. They calculated the saving for each customer could make and sent a personalised letter to each customer in the trial.
- Energyhelpline provided online and phone routes to switch to the new tariff and customers also received the results of a search comparing tariffs across the open market, enabling them to make an informed choice about their switch.



- This intervention had a clear and substantial impact
- The overall switching rate was over eight times higher than the control, at 22.4% compared to 2.6%
- The most successful arm (see below) of the trial increased switching rates to 10 times the control group

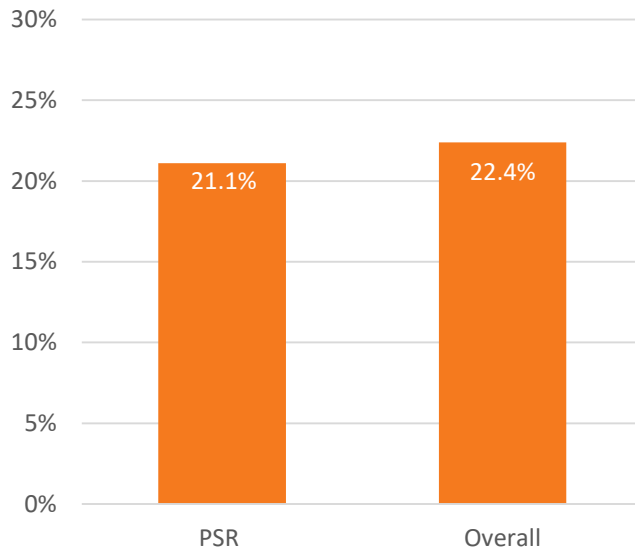
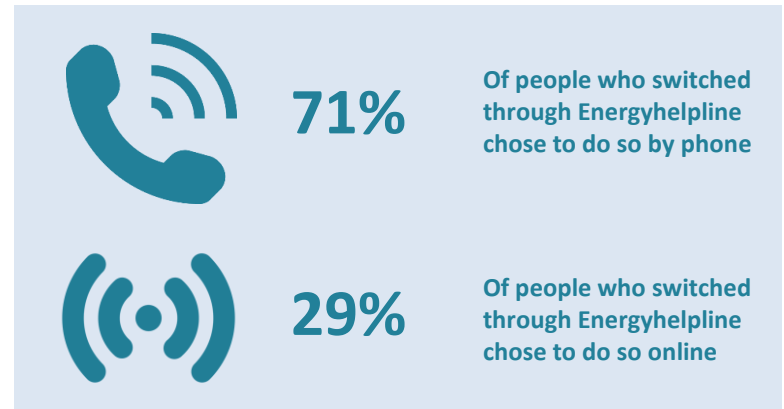
- All trial arms saw a significant increase in switching compared to the control group
- The control group received no information about the trial and was therefore used to assess the trial's impact
- The same number of letters were sent to customers across all 3 trial arms. They each received 3 letters; Announcement, Saving and Reminder letters

Switching by trial arm



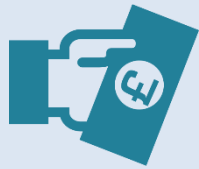
Switching routes

- Phone was the preferred switching route for customers in the trial
- Almost three quarters of customers who switched through Energyhelpline chose to use the phone
- Energyhelpline provided personalised advice and tailored support to customers in the trial through a phone service



Switching demographics

- The Priority Services Register (PSR) is a free service provided by suppliers and network operators to customers in need
- Switching rates for customers signed up to PSR with the supplier were consistent with the overall switching rate
- 24% of the switches made through Energyhelpline were by customers over 75 years old



£298

Average saved by people that switched¹

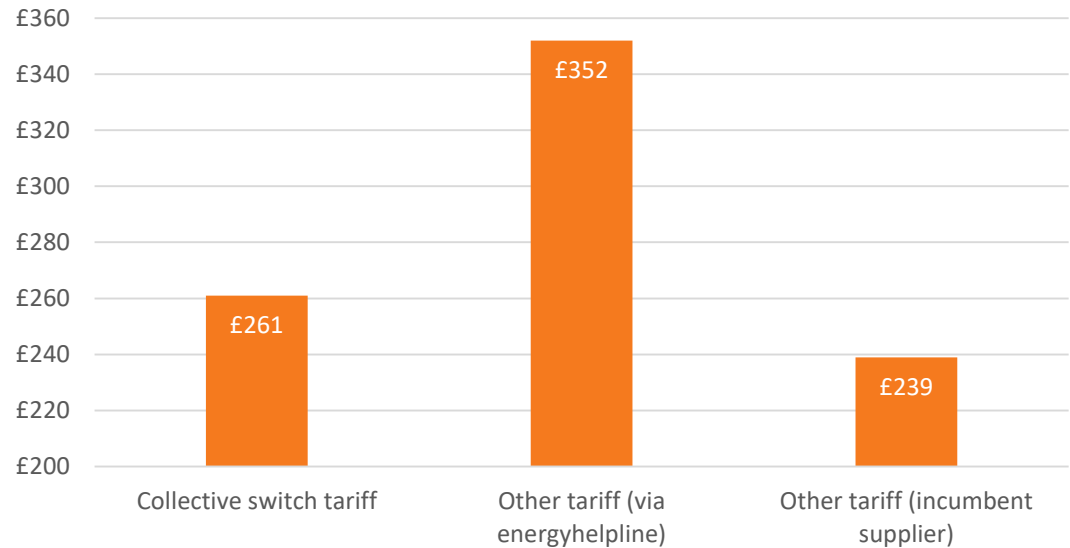


£3.3m

Total saved by people that switched¹

- Customers who switched saved a total of £3.3m, with an average saving of £298 each ¹
- The table below shows average savings by customers in the trial

Average saving



- The collective switch tariff was market competitive on price, but not the cheapest on the open market
- Half of those who switched chose the collective switch tariff
- Average savings were higher for customers if they switched supplier as well as changing tariff

¹This excludes external direct switches. Total figures will be available when the full report is released

Our core purpose is to ensure that all consumers can get good value and service from the energy market. In support of this we favour market solutions where practical, incentive regulation for monopolies and an approach that seeks to enable innovation and beneficial change whilst protecting consumers.

We will ensure that Ofgem will operate as an efficient organisation, driven by skilled and empowered staff, that will act quickly, predictably and effectively in the consumer interest, based on independent and transparent insight into consumers' experiences and the operation of energy systems and markets.