

Fiona Cochrane-Williams and Barry Coughlan
Ofgem
10 South Colonnade
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21st June 2018

By email: FutureRetailRegulation@ofgem.gov.uk

Dear Fiona and Barry,

Thank you for the opportunity to comment on Ofgem's proposed changes to the supplier-customer communication rules. Centrica has been a strong advocate of Principles Based Regulation (PBR) and we welcome and support Ofgem's proposals to reform rules around regulated communications.

Currently suppliers are constrained in their ability to effectively communicate with their customers by having to follow prescriptive content, layout and formatting rules outlined in the supply licence. Introducing principles will allow suppliers to critically review and update the way they provide information to their customers about their energy use, contract and payment. Combined with principles already enshrined in the Standards of Conduct, the new rules will help ensure customers receive relevant information at the right time and provide protection to those who need it. We would encourage Ofgem to implement these changes as soon as possible, given the material benefits we believe they will deliver to customers in terms of enabling innovation.

We welcomed the level of stakeholder engagement Ofgem undertook to inform the proposed changes throughout the policy development process. Ofgem showed that they were keen to hear industry's views and we think that Ofgem has taken on board the feedback provided by us and other market participants, calling for the reform to be ambitious. The proposed changes will enable suppliers to look at communications more innovatively and it is crucial that the progress is not stopped in the future. We do not expect Ofgem to issue further guidance on how the new principles will apply, as it could potentially introduce 'prescription via back door'. Suppliers should interpret the new rules themselves while ensuring good customer outcomes remain a priority to them.

While the proposed reforms are welcome and we believe would bring benefits to customers, review of supply licence should remain a continuous process. Ofgem should continue to look for areas to strip out unnecessary regulation and support the removal of outdated rules that

are outside of their control, for example those that were introduced in the licence by the European Union legislation or government policy.

Please find our answers to the consultation questions in the appendix 1 below.

If you have any questions about this response, please contact Justina Miltienyte on 07557 615 743 or Justina.Miltienyte@centrica.com.

Yours sincerely,

Alun Rees

Director, Retail Market Policy

Centrica

Appendix 1

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

Yes, we agree in general with the proposed reforms to the rules on supplier-customer communications. We believe that the rules will allow suppliers to provide more relevant information to their customers and innovate in how to deliver the communications.

We encourage Ofgem to continue to critically assess the supplier licence and look for further areas where prescription might hinder innovation.

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?

We believe that, on balance, Ofgem has removed the right amount of prescription to allow suppliers to change current communications in line with most customer preferences. The new principles are sufficiently technology neutral to allow suppliers to tailor their communications to utilise new technology, allowing energy industry communications to be brought in line with other industries.

There is still room for improvement and we think Ofgem should continue to critically assess regulation around supplier-customer communications. While Ofgem stated that rules introduced by the requirements from European Union and by the government are out of scope, we encourage Ofgem to critically review these requirements and agitate for changes with the relevant authorities where changes would benefit consumers.

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?

We believe the new principles for communications will bring benefits to customers and do not think that the changes will introduce risks to Vulnerable Customers. Principles relating to vulnerability have already been introduced in the Standards of Conduct and suppliers should already identify Vulnerable Consumers and communicate with them accordingly. The new principles will provide suppliers with an opportunity to tailor the communications further.

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?

Yes, we support the proposed changes to content, format, layout and wording, and frequency and timing of communications. It would have been beneficial to see the draft red-lining of the licence ahead of the statutory consultation to fully assess the changes.

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?

We support the key features of the new principles and believe they have been transposed into the actual changes.

Question 6: Do you agree with 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.

We agree in principle with the proposals to change the current customer communications rules to ‘encourage and enable’ engagement. The new ‘encourage and enable’ principles provide suppliers greater flexibility to design communications to engage customers. .

The key for the ‘encourage and enable’ principle is to understand what engagement means to customers. Previous Ofgem statements suggest that customer engagement is primarily measured through internal and external switching. We do not agree that switching is the main criteria to measure engagement and are, therefore, supportive that Ofgem abstained from including an explicit definition on what they see as customer engagement.

While the new principle will provide more flexibility for suppliers to provide better communications for customer engagements, the current wording could be updated to make Ofgem’s expectations clearer on how often suppliers should engage with customers. The principle, as phrased presently, implies that suppliers should engage with customer on Key Engagement Points and throughout the year but it is not clear whether the two are mutually exclusive. Asking suppliers to communicate with their customer throughout the year on top of Key Engagement Points would not meet the principles of better regulation, which include that regulation must be transparent, proportionate and targeted. We do not believe suppliers should be prescribed how often they communicate with customers, as it may not coincide with customer preferences. For example, if a customer is on a two year fixed contract and has indicated that they do not want to hear from their supplier throughout its duration, the supplier should be allowed to respect the customer’s preferences. We, therefore, believe ‘throughout the year’ should be removed from the principle. If Ofgem is looking to introduce a minimum standard on frequency of communication, it would be beneficial to understand what are the reasons for concern that make such a standard necessary.

We understand that Ofgem wants suppliers to show customers the benefits of switching tariff or supplier, if and when it is appropriate. Some customers might not be on the optimal tariff for them and, to make informed choices, customers should get the appropriate information from their supplier. This outcome has not been translated to the principle in an achievable fashion. The ‘encourage and engage’ principle states that suppliers should tell customers how they might financially benefit from switching. It may not always be possible for suppliers to know or assess the financial benefits from switching, especially if customers are switching externally (to another supplier). Suppliers will not have full visibility of what benefits switching

to their competitors could bring to customers, therefore, making any claims about financial benefits might be misleading. The wording from the principle should be updated to say that suppliers should highlight to customers ‘that switching might benefit them financially’.

There are rules relating to encouraging and enabling engagement that could be reviewed to either remove or make clearer. For example, customers still find Cheapest Tariff Messaging (CTM) confusing and Ofgem has not addressed the CTM in the proposed changes to customer communications, aside from its placement and formatting. To make CTM more accessible, we think CTM calculation methodology should be brought in line with other changes Ofgem introduced, such as methodology on calculating Estimated Annual Costs, to take into account customer preferences. Customers may not always look for the cheapest deals and if suppliers are aware of other preferences, they should be allowed to tailor their messaging to their customers, rather than providing them with a standard tariff offering, solely based on cost.

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

Yes, we agree with the definition of Key Engagement Points. As we explained in our answer to question 6, we are more concerned about the interpretation of ‘throughout the year’ that appears additional to 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.

We support the proposals to change the current rules and introduce principles on how to provide customers with information on ‘assistance and advice’. Current rules on providing information on assistance and advice are too prescriptive, placing undue importance on including this information on the bill. While suppliers should provide assistance and advice information, they should be allowed to innovate and consider how this information should be provided to customers in the most accessible fashion.

The new principles on assistance and advice should provide suppliers with more freedom on how to communicate important information to customers, potentially making use of more innovative solutions. One potential constraint for innovation in this area are voluntary agreements suppliers enter with industry bodies and consumer groups that may not provide flexibility on how information is communicated.

While we understand that the outcomes defined by Ofgem outline the ideal scenario for customers, we expect them to show realistic expectations of what suppliers can accomplish. We do not think it is achievable for suppliers to make customers understand the sources of information available to them. Suppliers can provide information to customers and put practices in place to provide support to customers who need further assistance, but it is outside of supplier’s control whether customers actually understand the information provided to them.

Ofgem should consider reviewing other rules relating on provision of information on assistance and advice that were out of scope for this review of supplier-customer communication. For example, suppliers have obligations to provide customers with leaflets with additional information on behalf of consumer groups that include topics such as different ways to pay for energy use. Ofgem should assess how the leaflets interact with the proposed principles and potentially remove the prescriptive obligations. In addition, prescription that come from EU legislation may no longer deliver customer benefit, for example requirement to provide QR codes. We have not got evidence that customers use QR codes, yet, they take up valuable space on customer communications. Ofgem should, therefore, consider avenues to remove the obligation to provide QR codes to customers.

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.

We agree with the proposed changes to customer communications rules relating to ‘Bills and billing information’. Currently, the Bill is being used as main avenue to provide information to customers that does not always relate to the customer’s billing or consumption information. Suppliers should determine what should be included in customer’s bills and the new rules should facilitate that.

We are concerned however, that the proposed wording of the principle about enabling customers to effectively manage their costs and consumption, whilst well-intentioned, implies that suppliers have an obligation that is out of their control. Suppliers have a limited view on customer’s ability to effectively manage costs and consumption and can only provide information for customers to understand their costs. It is outside of supplier’s control how the customer uses the information on their costs and consumption. The principle should reflect this limitation.

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

Yes, we 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?

The principle allows suppliers to consider different needs and circumstances of different customer groups. Suppliers have an interest to ensure Bills and billing information is provided to their customers in the right format to receive prompt payment, therefore being able to tailor the approach for different groups is a welcome step.

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.

Yes, we support the proposed changes to the rules relating to contract changes.

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

Yes, we agree with the proposal for suppliers to no longer be required to send Annual Statements. Research has previously indicated that majority of customers do not recall receiving Annual Statement from their suppliers¹. Suppliers will now be able to decide on how to engage with customers on their annual usage in a more purposeful way.

Question 14: Do you agree that the intended outcomes of the Annual Statement are reflected in our proposed new principles?

We agree that the outcomes can be achieved through other communications, without the need of Annual statement. Customers will be able to receive the key information through other communications, or in any other way, depending on their preferences.

¹ [Domestic supplier-customer communications rulebook reforms, annex 3: Stakeholder feedback on December working paper](#)