

MoneySavingExpert.com

Response to Ofgem default tariff cap consultation

MoneySavingExpert.com has previously set out its deep concerns over the flaws of an energy price cap. This, and the fact that we are not engaged in market-level energy supply issues, means that we are not going to comment on technical aspects of the cap.

However, we have two central concerns regarding the final shape of the cap: the naming and communication of the default tariff cap, and how frequently it is set.

Naming and communicating the cap

Firstly, there must be a naming and communication strategy which ensures that consumers understand the nature of the default tariff.

The danger of a price cap is that it gives consumers a false sense of security that they are on the cheapest tariff – when in fact they're not. Indeed, if they are on the default tariff, a consumer is most likely on the worst tariff. Therefore it is very important that the language and naming used clearly conveys this. In our world, we would mandate the cap to be named the 'this-is-not-the-cheapest-tariff tariff'.

Although we assume that the Government will want the language to imply that consumers are being protected, it is important that it does not suggest that they can rest on their laurels. The cap needs a meaningful name which does not have positive connotations.

With this in mind, we suggest that the term 'ceiling tariff' is used. This would indicate to the consumer that the tariff they are on could not be any higher, thereby implying that it is regulated. Bills to consumers on the ceiling tariff should include an explanation of how it works i.e. "this is the highest amount a provider is allowed to charge you within the regulations and you could get a cheaper deal if you switched".

Setting the cap

Alongside the naming and communications approach, the frequency with which the cap is set is also important for ensuring consumer understanding of the ceiling tariff.

Public discussion around the cap being set creates a noise in communications which would enable the media to explain to people what the ceiling tariff is and why consumers would be wise to switch off it.

The more communication to help people understand what a ceiling tariff is, the better. Therefore the cap should be set frequently. We agree that the cap should be set every six months at the beginning and end of winter, with these periods being crucial junctions in the year. The potential impact to consumers' bills of twice yearly adjustments of the ceiling tariff must be clearly communicated.

About MoneySavingExpert.com

MoneySavingExpert.com is the UK's biggest consumer website dedicated to saving people money on anything and everything by finding the best deals, beating the system and campaigning for financial justice. It's based on detailed journalistic research and cutting edge tools, and has one of the UK's top 10 social networking communities.

During May 2018 MoneySavingExpert had 16.5 million users, visiting the site 29.4 million times, and looking at over 69.9 million pages. Over 13 million people have opted to receive its free weekly email, more than 1.7 million users have registered on the forum and over 3.4 million have joined its Cheap Energy Club.

In the event of any queries, please contact the campaigns team:
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