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Dear Fiona and Barry,

Domestic supplier-customer communications rulebook reforms

This submission was prepared by Citizens Advice. Citizens Advice has statutory responsibilities to represent the interests of energy consumers in Great Britain. This document is entirely non-confidential and may be published on your website. If you would like to discuss any matter raised in more detail please do not hesitate to get in contact.

We are grateful for the opportunity to respond to Ofgem's consultation on customer communications reforms. We acknowledge that the prescriptive requirements brought in as part of the Retail Market Review are no longer fit for purpose, in an expanding market with increasing product complexity and changing consumer preferences. We do have some concerns with the proposals, and areas where we think Ofgem should make changes ahead of its decision later this year:

- We are broadly supportive of the changes proposed by Ofgem. These should deliver improved communications that are designed around consumer needs and preferences. We would expect the changes to particularly lead to an improvement in communications to those who are poorest served currently - prepayment customers and those with legacy time-of-use tariffs.
- We don't think the Advice and Assist principle goes far enough to make suppliers tailor information to consumer characteristics, or provide this in a timely way. This means good outcomes could be over-reliant on consumers recognising when they need assistance, and pro-actively using information from suppliers to access support. Instead, suppliers should also be required to identify when consumers might be more likely to need help, and take steps to provide timely and relevant information on support.

- Rules on the timing and form of contract change notifications could be strengthened to ensure these are sent at the time, and in a form, that is most effective to prompt the consumer to consider their options.

In order to deliver these changes successfully Ofgem needs an appropriate compliance approach in place. We have some concerns that this has not been as successful as it could have been in earlier phases of the Future Retail Regulation programme. We also think that some suppliers may not be equipped to deliver the range of communications that are suitable for vulnerable consumers. To help overcome this, Ofgem should clearly set out to suppliers the expected consumer outcomes of their changes for suppliers in simple terms. It must also put in determine what data could be used to identify issues with supplier communications, and what other steps can be taken to monitor the impact of the changes.

Those with the greatest responsibility for delivering consumer benefits from these changes are energy suppliers. We are aware that some suppliers have asked for specific backstop standards from Ofgem, or guarantees against enforcement action if they make changes. This does not reflect the grown-up approach that is required by the new rules, and such requests should be resisted by Ofgem. Greater freedoms for suppliers in how they communicate with customers mean they must also do more to understand, and meet, their customer needs and preferences.

Our detailed response to the consultation questions is below. If you would like to discuss any aspect of this response further please let me know.

Yours Sincerely,

Alex Belsham-Harris

Senior Policy Researcher

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

Yes. We support a move to use more principles-based rules, alongside prescription, as we transition to a smarter energy market for consumers. This should lead to more focus on consumer outcomes and help some consumers in particular. Prepayment and time-of-use tariff customers are poorly served by the current prescriptive rules, and these reforms should introduce a more level playing field for consumers, regardless of payment method or tariff type.

We have been supportive of the previous licence changes as part of the Future Retail Regulation project. However, our research has shown that in relation to the informed choices principles introduced last year by Ofgem, suppliers have not always responded to these in the way we expected, or in line with desired outcomes set out by Ofgem in the relevant consultation and decision documents. This has meant that consumers do not always have the right tools to make an informed choice about tariffs, and that they may struggle to distinguish between tariffs offered by a supplier.¹

Our main concern at this juncture is therefore that Ofgem needs to put in place effective monitoring of industry to ensure compliance with the suite of new principles, and take prompt compliance or enforcement action where suppliers fail to deliver the required consumer outcomes. Ofgem should consider how this monitoring can be data-led, for example by tracking industry data on internal switching rates it may be possible to identify suppliers who may be performing worse at encouraging and enabling their customers to engage. This monitoring should also focus on consumer segments that are more at risk from detriment as a result of poor communications. This includes vulnerable consumers, the long term disengaged, and those on more complex tariffs (eg time-of-use tariffs).

We are also concerned that some suppliers - particularly new entrants - may struggle to understand the new principles, and how they interact with the remaining prescriptive requirements. In order to more clearly demonstrate the expected consumer outcomes from these proposals, Ofgem set these out clearly, including the rationale for each principle as part of its decision document, and refer suppliers to this as part of its licence guides.

<https://wearecitizensadvice.org.uk/to-get-a-fair-deal-on-energy-people-need-accurate-price-comparisons-bd5e5443283d>, also see forthcoming small-scale research on price comparisons.

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?

The narrow communications principles broadly cover the outcomes we would expect to see for consumers each year. In some places they are still underpinned by significant prescription, but we generally agree that this is necessary to protect consumers, impractical to remove (where this derives from legal requirements, including EU law), or will apply less often to suppliers that transition towards using billing information as well as Bills. We think this strikes the right balance between protecting consumers and allowing suppliers to innovate.

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?

The changing nature of the energy market means that suppliers are increasingly narrowing their communications options to those most attractive to their target consumer segment. We are seeing more single/limited channel supplier offerings - in particular online-only and app-only services, such as Pure Planet and Lumo (a white label of OVO). While this may meet the needs of the customers they acquire initially, we are concerned that such companies may not have the flexibility to meet the needs of these customers if they enter vulnerable circumstances, nor those they gain through change of tenancy. For example, some of these consumers may benefit from paper bills², but if the supplier is not set up to provide these to other customers then this may not be possible.

Our recent research on essential markets and support for consumers with mental health problems³ found that communications options in energy are already too limited for some consumers to access them effectively. This research recommended that all providers should offer multiple ways for customers to contact them. Consumers should be able to choose, from a range of options, the form of communication that works best for them. And access should never be limited to a single medium. We are therefore glad that the proposed changes should enable suppliers to use a broader range of communication methods.

² <https://wearecitizensadvice.org.uk/digital-by-default-e91f6711927>

³ <https://www.citizensadvice.org.uk/about-us/policy/policy-research-topics/consumer-policy-research/consumer-policy-research/essential-service-markets-and-people-with-mental-health-problems/>

Some consumers with mental health problems also reported they often felt anxious about opening communications from suppliers. Suppliers using online services should consider how they can monitor consumer activity, and take appropriate and sensitive steps to engage them if they notice they have not logged into services or read emails.

While the quality of communications to consumers is important, where these prompt consumers to seek further help from their supplier their effectiveness depends on the other services provided by the supplier. For example, ensuring that suppliers give consumers their contact details is no help if they can't get through to the call centre. Poor service in this area has recently been highlighted by Ofgem's provisional order on Iresa Energy⁴, which required them to reach an average 5 minute wait time for its call centre.

Increasingly communications will prompt consumers to get further support via digital communications or by self-serving. However, these may not be appropriate for some consumers, in particular those in vulnerable circumstances. The Standards of Conduct require customer service arrangements that make it easy for the consumer to contact the supplier and resolve their problem promptly. In 2015 Ofgem set out its view that suppliers should have a telephone service⁵, and complaints handling regulations require suppliers to accept complaints by telephone.⁶ Despite this we are aware of some suppliers who do not offer telephone services, or whose service is extremely limited.

In order to resolve this issue we think that Ofgem should revisit its 2015 open letter on telephone services, to make clear what expectations they have of suppliers in relation to these types of services. It is our view that all suppliers should continue to have telephone services (or an equivalent service), which are quickly accessible, with minimal wait times and appropriate opening hours. Not offering such a service means that vulnerable consumers may struggle to get help in an emergency situation, or will cause them more hassle and distress in resolving other issues.

Vulnerable consumers with certain characteristics have further legal and regulatory protection. Suppliers must comply with the Equality Act 2010, and make reasonable adjustments so that disabled consumers can use their service, without charging

⁴ <https://www.ofgem.gov.uk/publications-and-updates/iresa-provisional-order>

⁵ <https://www.ofgem.gov.uk/publications-and-updates/telephone-services-our-expectations-suppliers-operating-domestic-energy-market>

⁶ <https://www.legislation.gov.uk/ukSI/2008/1898/regulation/3/made>

more, including by offering accessible communications.⁷ This includes Braille billing and audio bills. They should also be offering accessible communications as part of their obligations related to the Priority Services Register.⁸ Suppliers must consider how they meet these requirements in relation to their communications to consumers as they move more of their customer communications online.

We have supported initiatives to help suppliers design their services to be accessible to consumers, including the British Standard for inclusive service provision⁹ (which forms part of the criteria for our energy supplier rating¹⁰) and will support Energy UK's Commission for Customers in Vulnerable Circumstances in developing further recommendations in this area.¹¹

In response to question 8 we separately set out our concerns that the Assistance and Advice principle should be strengthened and place more onus on suppliers to provide assistance information to consumers at the right time, and in the right way, to ensure they are likely to access support.

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 general support these changes. Where we disagree with specific proposals we have generally set this out in response to questions about that specific area.

In relation to frequency of communications, we think that changes based on consumer preference should lead consumers to get information about their energy supply more, rather than less, frequently. Our research shows that most consumers want bills either monthly (35%) or quarterly (46%), and that very few customers wanted bills less frequently than they currently received them.¹² Despite this, many

⁷<https://www.citizensadvice.org.uk/consumer/discrimination-in-the-provision-of-goods-and-services/discrimination-in-the-provision-of-goods-and-services1/common-situations/disability-discrimination-and-energy-suppliers/>

⁸ SLC 26

⁹<https://www.bsigroup.com/LocalFiles/en-GB/consumer-guides/resources/BSI-Consumer-Brochure-Inclusive-Services-UK-EN.pdf>

¹⁰<https://www.citizensadvice.org.uk/about-us/how-citizens-advice-works/citizens-advice-consumer-work/supplier-performance/energy-supplier-performance/compare-domestic-energy-suppliers-customer-service/>

¹¹<https://www.energy-uk.org.uk/press-releases/412-2018/6552-energy-uk-launches-commission-for-customers-in-vulnerable-circumstances.html>

¹²<https://www.citizensadvice.org.uk/about-us/policy/policy-research-topics/energy-policy-research-and-consultation-responses/energy-consultation-responses/response-to-ofgems-working-paper-on-domestic-supplier-customer-communications-rulebook-reforms/>

companies in the energy sector have lagged behind by only offering quarterly bills, while in the telecoms and banking sectors sending accurate, monthly bills have been standard practice for many years.

These sectors have also gone further in recent years, with up-to-date, online information common in both, and increasing use of smart notifications to consumers to help them monitor their spending/usage, and respond accordingly. We expect that these rule changes, alongside the rollout of smart meters, should enable all energy suppliers to deliver a similar consumer experience.

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?

Yes. The addition of Key Engagement Points is necessary to ensure consumers receive certain information at the right time (see our response to questions 6 and 7). We think that these should also be referred to in the Assistance and Advice principle to ensure that consumers get timely information about support when they are likely to make decisions (see our response to 8).

We also agree that suppliers should consider both characteristics and preferences when creating their communications, and how these can meet the required consumer outcomes. Any choices offered to a consumer to understand their preferences must to be appropriate for their characteristics. For example, it is unlikely to be appropriate to offer very infrequent billing options to a consumer that does not have an online account or smart meter to enable them to monitor their consumption between bills. Similarly, a preference expressed by a consumer at the start of a contract should be revisited, particularly if a consumer’s needs change or they enter vulnerable circumstances. We are concerned that some suppliers have not understood this balance, which may benefit from being further clarified in Ofgem’s decision.

We support Ofgem’s expectation that suppliers will evolve their communications slowly over time, away from the current prescribed rules (albeit with some upfront changes such as the removal of Annual Statements). All changes should be led by research and testing with consumers, and there should be processes in place to monitor and adjust communications based on consumer response. For example, if after a change to a particular communication consumers appear less likely to switch supplier or tariff, or are more likely to get behind on their bills, suppliers should look at why and take swift remedial action. Ofgem should consider the robustness of

supplier research, testing and ongoing monitoring in the course of any compliance or enforcement actions.

Another key feature of the principles which could be explained more clearly is that the supplier must provide 'information, services and/or tools'. We support this range of approaches, which allow flexibility and space for suppliers to innovate in their communications. We think that suppliers must provide information in the way that is suitable for both the customer and the product or service that they are using. For example, simple tariff information in a letter may be sufficient for single rate tariffs and products. However, a more sophisticated tool or complementary service might be required for consumers to easily understand information about a complex products (such as a dynamic time-of-use tariff). It would not be appropriate for suppliers to only rely on textual information (eg an 80 page manual) for consumers to understand and engage with a product like this. In addition, where suppliers rely on services and tools, rather than simple information, they must consider how they will meet the requirement to 'provide' this rather than simply 'make available'. For example, the supplier will need to prominently and regularly direct consumers to the tool/service, and it may be appropriate to monitor if, and how, their customers are using them and take further action if they are not used.

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.

Yes. It is not always in supplier interests to prompt consumers to consider their choices to switch or to reduce their energy consumption. It is therefore right that the principles in this area are perhaps the most onerous on suppliers, in that they require suppliers to provide information both at Key Engagement Points and throughout the year. We also support the requirement for suppliers to provide this information in a way that is 'effective'.

We would expect that the requirement to consider the consumer's characteristics, preferences and current tariff will mean that this information is provided in a way that is more timely as well. For example, consumers with a fixed contract with high exit fees may not benefit from being given information about their options as frequently as a consumer who is on a default tariff. We would expect suppliers to increase communications to disengaged consumers over time, particularly to those consumers who are likely to move onto the disengaged customer database.

We would also expect a large improvement in information provided to time-of-use tariff customers. Forthcoming research by Citizens Advice has found that these consumers often struggle to even find out from their supplier what their on- and off-peak hours are, and this information is often not available online. We think this information is clearly part of the 'key tariff information' which will in future be required to be communicated throughout the year. We would also expect suppliers to develop more engaging communications to encourage consumers to shift their demand to a cheaper time of day, which should include clear advice and support about what behaviour changes could achieve this. Information should also allow customers to understand whether behaviour change is realistic for their household, and whether switching to single rate might be better for their lifestyle if they are over-consuming during peak times. Once published, we will engage with suppliers about what steps they will take to meet the new requirements that will flow from this principle, and Ofgem should closely monitor whether these benefits are delivered.

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

Yes, we support the definition of Key Engagement Points, which means these depend on the consumers choice of billing frequency and other information or services they may be receiving. We support these Points being defined based on both when consumers 'may want to consider, or could benefit from considering', their tariff choices. This should ensure that suppliers take a broad view of when to provide this information to their customers.

We also support the inclusion of a secondary requirement in the Encourage and Enable principles to provide information throughout the year, to ensure that consumers who are billed infrequently, and on evergreen or long fixed tariffs, will nonetheless receive regular prompts to engage.

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 introduction of principle-based rules in this area. While the majority of the current prescription will also remain in place, the new principles should make suppliers think harder about making this information easy for consumers to find.

However, we do have some serious concerns about the way that the principle is currently drafted.

The restructuring into a single principle, rather than two separate ones (as previously proposed in Ofgem's customer communications working paper), means there is now no requirement for suppliers to tailor communications for customers. In the earlier iteration, the 'assistance' information (related to debt, energy efficiency and managing consumption) took account of 'characteristics, circumstances and needs'. We think this approach is preferable, as the relevance of this information is likely to differ between consumers - such that some may benefit from receiving it more prominently, or regularly. For example, as the ECO scheme becomes more oriented towards fuel poor and vulnerable, households that meet this criteria may need more prominent information, while those who do not qualify may need little or no information about it.

We also think that suppliers should take a more active approach to providing assistance information to consumers at the right time. By definition consumers in vulnerable circumstances are 'significantly less able than a typical consumer to protect or represent his or her interests in the energy market'.¹³ Therefore it is not sufficient for communications that seek to help such consumers to rely on them knowing how to quickly and easily find it themselves.

For example, a supplier should be able to identify if a consumer is likely to be struggling to pay their bills, and provide information about debt support, consumption management and energy efficiency in a more prominent and timely way. Providing consumers with useful, relevant information at the right time is most likely to result in them using these assistance services.

Similarly we think that information about the Ombudsman service should be given at the right point in time to avoid consumers contacting this service before their complaint is within the Terms of Reference. We understand that Ofgem has been unable to remove prescriptive requirements for information to be required on Bills due to EU legislation that underpins these requirements. However, the principle should not be drafted to preclude a more tailored approach, if these EU-derived requirements can be removed at a later point.

We are supportive of Energy UK's desire to review the wider customer complaints journey. We have recently commissioned research exploring the current consumer

¹³<https://www.ofgem.gov.uk/about-us/how-we-work/working-consumers/protecting-and-empowering-consumers-vulnerable-situations/consumer-vulnerability-strategy>

advice journey and will share the results with Ofgem shortly. Together these may help develop more seamless solutions to ensure that consumers who continue to contact the Ombudsman too early continue to get appropriate advice and support.

In contrast, supplier contact information - and the Citizens Advice statutory advice service - are likely to be relevant for all consumers at some point, and as such we think think this information may benefit less from taking account of consumer characteristics. We also think that this information should be required at Key Engagement Points, in order to ensure that consumers are aware of independent advice support as part of making an informed choice on their energy contract. Currently there is a requirement to signpost to advice on End of Fixed Term and Price Increase Notifications¹⁴, but Ofgem proposes to remove this. We know that these engagement points can often be those where consumers are more likely to need support, so reference to Key Engagement Points in the principle will ensure this information continues to be given to consumers.

We have some concern about the wording of the requirement to help consumers access Citizens Advice services. The current licence requirement in SLC 31 refers to the Citizens Advice consumer service (the government funded helpline that provides specialist energy advice) as well as Citizens Advice and Citizens Advice Scotland. We think that consumers benefit most from being initially referred to the consumer service and our web-based advice. We are concerned that the current wording could lead consumers to only be referred to our wider services such as a local Citizens Advice. This could mean consumers are less likely to access the service they need - and this could particularly affect vulnerable consumers who are eligible for referral to the Extra Help Unit for support (the main referral route for this service is via the consumer service). European Union law requires a single point of contact for energy consumers to access support¹⁵ and so the wording of the principle, if interpreted to refer to broader services, may not align with this legislation.

We support the retention of the prescriptive requirement to signpost to the Energy Consumer Guidance (SLC 31.4-31.8). As Ofgem will be aware, the energy consumer guidance (required under section 19A of the Consumers, Estate Agents and Redress Act 2007) is the energy advice pages of our website and the consumer service. The concise guidance is a [leaflet](#), updated on an annual basis. We have provided suppliers with a form of words for use on energy bills and websites to meet their

¹⁴ SLC 22C.3, SLC 23.4 and SLC 31A.9

¹⁵ DIRECTIVE 2009/72/EC, Article 3, para 12

existing licence requirements to signpost to the consumer service and the energy consumer guidance.

We also think that the wording 'about their energy services' should be removed from the initial part of the principle, as many of the services listed will not be run by the supplier but by other parties. Alternatively, this could be amended to refer to 'the Domestic Customer's energy services'.

Taking these concerns together, we think that it would be more effective for Ofgem to split the single principle into two, and make adjustments as follows (changes are in bold):

1. The licensee must ensure that it provides information to each Domestic Customer **at all Key Engagement Points** and throughout each year, in a **form that is effective** in enabling that Domestic Customer 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 **including Citizens Advice consumer service**;

2. The licensee must ensure that it provides relevant information to each Domestic Customer in a form, and **at such time** that, taking account that customer's characteristics, circumstances and ability to manage their costs, is **effective** in enabling that Domestic Customer to know how to quickly and easily:

a. 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

b. 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.

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 generally support these changes, which remove some of the disparities between consumers based on payment method in the current rules, and should allow Bills and billing information to be more tailored to consumer preferences and their needs.

We support the change to require suppliers to ‘provide’, rather than ‘make available’, bills to consumers. This should require all suppliers to take steps to bill their customers regularly, and actively notify their consumers when new information is available online or in an app. Online accounts mean that service providers are also able to track whether online accounts and statements have been accessed. We think that it is good practice, already used in other sectors, to alert consumers if they have not reviewed their bill for a period of time and nudge them to do so. Steps like this will ensure that the consumer is still receiving the relevant notifications (eg that their email address is still valid etc) and that they have not been restricted from accessing their account (eg if they have forgotten their password). Sending some billing information via text or app notification, which are harder to miss than emails, is another way of ensuring that consumers know what they are going to pay, and when.

We also support Ofgem’s proposal for 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. This should include the ability to request a paper version of a Bill, which can be beneficial for people who are digitally excluded or unconfident web users. Paper billing also remains the most common option for consumers, despite online billing having been widely offered for some time.¹⁶ We support such a requirement to ensure that billing information online is supplemented with more formal Bill documents, that consumers can use to refer to - particularly in cases of bill disputes. This would be similar to online banking, where traditional long-form statements are available to view as well as a transaction list on a web page or app.

Forthcoming research by Citizens Advice will show that consumers on legacy (non-smart) time-of-use tariffs too often have a poor understanding of their tariff, and feel that information provision by suppliers is poor also. Similar results were

¹⁶ <https://wearecitizensadvice.org.uk/digital-by-default-e91f6711927>

found in research from 2012 by our predecessor body, suggesting increased action is needed to substantially improve information for these customers.¹⁷ The proposed principle may improve the situation for these customers. Our expectation would be that any explanation of how charges have been calculated should include a breakdown of usage in different unit rates. This information, delivered alongside consumption choices information from the Encourage and Enable principle, should enable consumers to understand clearly how their usage has led to their current costs, and what they can do to change this in future, including by shifting demand.

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

Yes. This is a helpful distinction and one which should allow suppliers flexibility in how they provide information on what customers owe (or have paid) and how this has been calculated based on their consumption. We agree that this information should be provided to all customers, whether through Bills, billing information or statements of account. We support Ofgem's view that all consumers, regardless of meter type, should receive a Bill at some point, in addition to billing information if the supplier offers this.

While Ofgem does not specify a minimum frequency of the Bill, we would expect that this information would be sent more than once a year, in order to minimise the risk that they backbill their customer. The back billing rules, (SLC 21BA) refer to when a supplier 'issues a Bill' or 'otherwise seeks to recover Charges'. It is our understanding that 'billing information', such as that provided through an app or In-Home Display, would not constitute a Bill for the purposes of SLC 21BA.

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

Yes. The billing changes should mean that prepayment customers receive more regular information about their energy usage and costs than under the current rules, which only require them to receive an Annual Statement. As set out in Example 1 of the illustrative examples, suppliers will need to ensure that the means for consumers to access billing information between Bills remain appropriate, for example by monitoring the consumers use of services to track consumption and their ability to top up and remain on supply.

¹⁷<http://webarchive.nationalarchives.gov.uk/20130103075756/http://www.consumerfocus.org.uk/publications/from-devotees-to-the-disengaged-a-summary-of-research-into-energy-consumers-experiences-of-time-of-use-tariffs-and-consumer-focus-recommendations>

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.

These communications are important engagement points for consumers, as Ofgem’s evidence on consumer engagement demonstrates. We expect this to remain the case for Statements of Renewal Terms, although on current trends fewer consumers will receive Price Increase Notifications as large suppliers phase out SVTs and move consumers to default fixed term contracts. Other types of disadvantageous changes may become more likely as products become more complex. In this context, we generally support the proposed changes, which should make these notifications more timely, and increase the likelihood that consumers engage.

We support the removal of the prescribed time frame in which these communications are currently sent. The switching time has been reduced already, and will fall to a maximum of 5 days from 2020, so shorter time frames are likely to be appropriate in many cases. The changes mean that suppliers could differentiate the timing of notices to customers. For example, digitally engaged customers who use online services and switched to the supplier using a price comparison website may benefit from a notice nearer the contract end date, whereas a consumer who relies on paper communications may prefer a longer notification period.

We also support Ofgem’s broad interpretation of ‘disadvantageous change’, which could include price decreases in some circumstances. When more complex tariffs become available it may be more difficult to immediately identify whether a change is disadvantageous - for example, changing the hours that certain unit rates apply in time-of-use tariff may not have an immediate impact on a consumer, but could affect them if their future consumption changes. As such, we think that suppliers should generally take a cautious approach and inform consumers of such changes, unless they can be in certain that in all circumstances they will not be.

However, we are concerned that while the principle requires ‘adequate’ time to make an informed choice, it does not ask suppliers to send the notice at a time that is most likely to engage the customer. Suppliers could interpret this to mean they can send notices months in advance of a change, in order to limit the effectiveness of the communication. Given that non-engagement with the communication is likely

to benefit the supplier, and cause detriment to the consumer, we think this is a fairly major risk.

We therefore think Ofgem should strengthen the wording of Part A of the principle, so that it requires suppliers to think about how these communications should be best timed and formatted to help consumers make informed choices. We think this could be achieved by inserting the word 'effective', as in the Encourage and Enable principles:

'Be provided in adequate time, and in a form, to be **effective** in enabling that Domestic Customer to make an informed choice and take action to allow them to avoid any changes before they take effect'.

It is also more in the supplier's interests to engage the consumer with options to change tariff internally than it is to highlight the benefits of external switches. Because of this we support Ofgem's proposal to retain prescription regarding the need for a statement on the right to end the contract/option to switch away to another supplier. Despite this, the impact of the broader changes to remove prescription could still mean the efficacy of these communications as a prompt to switch supplier could be reduced. Ofgem should monitor the effectiveness of these communications, and investigate if the propensity of consumers to avoid price rises or moving to default tariffs falls.

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

Yes. Our own evidence¹⁸, as well as Ofgem's, has shown that the Annual Statement has not been effective as a prompt to engage consumers. We therefore support the removal of the Annual Statement.

Currently the Annual Statement is the only regulated communication required for prepayment and smart meter customers (in the absence of any contract or price change), and it is therefore vital that its removal coincides with the introduction of better communications for these consumers. We think that the new Bills and Billing Information principle, and the Encourage and Enable principles, should lead to a general improvement in the quality and quantity of communications to these consumers.

¹⁸<https://www.citizensadvice.org.uk/about-us/policy/policy-research-topics/energy-policy-research-and-consultation-responses/energy-consultation-responses/response-to-ofgems-working-paper-on-domestic-supplier-customer-communications-rulebook-reforms/>

We currently measure the timeliness of Annual Statements¹⁹ as part of our energy supplier rating.²⁰ This is a particularly important measure for suppliers with all/predominantly prepayment customers, who are not required to send other communications and so are currently score on Annual Statement timeliness only. With the the removal of Annual Statements and the new universal requirement for Bills, we envisage that we will measure all suppliers based on the timeliness of their Bills and statements only.²¹

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

Yes. The Annual Statement primarily acts as a prompt to engage consumers and help them understand their consumption. These outcomes should be achieved primarily through the Encourage and Enable principles. Such communications should also become more regular for consumers who currently only receive an Annual Statement, as these principles require communications throughout the year.

¹⁹ Measured against the requirements in SLC 31A.

²⁰<https://www.citizensadvice.org.uk/about-us/how-citizens-advice-works/citizens-advice-consumer-work/supplier-performance/energy-supplier-performance/compare-domestic-energy-suppliers-customer-service/>

²¹ Measured against the 15 working day requirement in Energy UK's Code of Practice for Accurate Bills.