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18 November 2016

Dear Neil,

Response to Ofgem's open letter 'Proposed selection criteria for mandatory supplier testing of measures to promote domestic consumer engagement'

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Dear Neil,

Citizens Advice welcome Ofgem setting out their proposed criteria for selecting suppliers to participate in Ofgem-led randomised control trials (RCTs) and testing, and broadly agree with the three proposed criteria. However, there are some additional aspects to each of these criteria which should be explicitly considered.

Suppliers' customer base

In addition to the characteristics set out in the open letter, Ofgem should also consider the nature and scale of any particular vulnerabilities amongst the customer bases of some suppliers. Ofgem should consider whether the nature of the trial may mean there are ethical reasons why vulnerable consumers need to be excluded from the trial, and whether it may therefore be inappropriate for that particular supplier to be selected. Alternatively, Ofgem may consider that these

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vulnerabilities mean that they will need to provide extra support to the supplier in order to run the trial successfully.

Capabilities to undertake a trial

In addition to the supplier characteristics, Ofgem should also consider any supplier plans which may affect their ability to run a trial or impact the results of the trial. These could include major IT changes, such as billing migrations, which have proved difficult in the past and caused high levels of consumer detriment. These conditions would not be conducive to a successful RCT and could increase the risk of harm to consumers. We consider that this should apply to supplier-specific activities only, rather than any industry-wide changes (such as the smart meter rollout or Project Nexus), as these will have impacts across all suppliers and should not provide a barrier to these trials.

There may also be external circumstances which limit a supplier's ability to dedicate sufficient resource to undertake a trial. This could include financial difficulty, or where they are under active investigation by Ofgem. Ofgem should consider these circumstances before taking any decision to select a supplier.

Proportionality

We support the programme of RCTs but also recognise the burden these could place on suppliers, in particular small and mid-tier suppliers. It is therefore appropriate for Ofgem to consider the proportionality of a trial. However, given the wide array of suppliers in the market, there may be cases where a smaller supplier is best placed to conduct a trial due to their customer base. In order to ensure that these suppliers can participate in trials Ofgem should not simply take a binary decision as to whether supplier is able to develop and conduct a trial, but also consider the level of support the supplier would require from the regulator to enable them to participate - and whether providing this support would provide the best outcomes in terms of running a trial successfully. This approach would widen the pool of suppliers who meet the selection criteria, allowing more niche consumer segments (eg smart prepayment) to be accessed for trials, and improve outcomes by ensuring that these suppliers have the capability to successfully implement a trial.

Other issues

Where trials are proposed by Ofgem, the regulator should allow suppliers the chance to bid-in to conduct a trial before undertaking the process of selection, so

that suppliers who meet the needs of the trial and wish to take part are given the opportunity to do so voluntarily.

In the case of trials proposed by suppliers which require derogations, we would also expect Ofgem to consider each of these selection criteria as part of their decision on granting derogations for supplier-led trials, to ensure that suppliers do not undertake trials which are inappropriate for their customers or circumstances, or are unlikely to yield robust results.

Yours sincerely,

Alex Belsham-Harris

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