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Dear Fiona and Barry,

Working paper on 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 welcome Ofgem's work to review customer communications. The current rules are not as effective as they need to be at informing and engaging consumers, and they don't allow sufficient innovation.

Our main views on Ofgem's work so far are that:

- The proposed regulatory framework and principles should be effective in ensuring information is provided, but more thought needs to be given to how Ofgem ensures information has due prominence and is timely and regular.
- All consumers need to benefit from these changes. Ofgem should remove the current disparities that exist in the quality and quantity of communications depending on type of contract, payment method and meter type.
- To ensure consumer access to third party advice and support, information about these services should be provided prominently, frequently, and at key decision points.

This is set out in more detail, and with evidence where appropriate, in response to the working paper questions below.

1. What are your views on our proposed future regulatory framework for customer communications, set out in figure 2?

We support the proposed regulatory framework, including the use of both cross-cutting principles and principles which are specific to particular stages of the customer journey. The cross-cutting principles should be designed to ensure consumer outcomes regardless of differences such as contract type, billing frequency, payment method etc. We also support the retention and adaptation of prescriptive rules in some areas to ensure minimum standards.

2. What are your views on our proposed priority areas?

We support Ofgem's choice of proposed priority areas as representing those which are most likely to impact consumers and which could be improved through new principles and adapted prescriptive rules.

Priority area 1: Bills and statements of account

We support the proposals to retain the requirement for bills, but with a reduced amount of prescribed information. This should improve the impact of the information that is retained. It is our view that bill frequency should be increased, so that all consumers receive a bill or statement quarterly, and are able to choose to do so monthly. This should be set regardless of meter type or payment method, as the current rules mean there is no minimum bill/statement frequency for customers on prepayment or with smart meters. This change would align with consumer expectations on bill frequency. For more information on this evidence, see our response to question 5 below.

Priority area 2: Statement of Renewal Terms (SORT)

We agree that this communication should be retained and improved, as it is already relatively successful in prompting consumer engagement. We would support a reduced timeframe for sending this notice if this is shown to increase consumer engagement and the likelihood of avoiding default tariffs.

There may be some concern that this could negatively impact some consumers who benefit from longer notice periods - for example, those who have outstanding charges which need to be resolved before they can switch to a different tariff.

We think this is likely to affect a relatively small number of customers. Only 4% of consumers are blocked from switching due to outstanding charges, and this varies according to payment method. Consumers who pay by direct debit are most likely to be on a fixed term contract (and therefore receive a SORT) and are also least likely to be blocked for outstanding charges.

Table 1. The percentage of customers who considered switching in Q3 2017 but were unable to do so due to outstanding charges.¹

Payment type	Percentage
Direct debit/standing order	2%
Payment on receipt of bill	8%
Prepayment	9%
All	4%

We also think there is a relatively lengthy period in the current rules for consumers to resolve outstanding charges while avoiding higher prices. It is generally accepted practice to give consumers in debt 6-8 weeks breathing space to get advice about debts before applying more charges or interest.² The current rules allow consumers with outstanding charges up to 14 weeks from the SORT being sent before a price increase being applied.³

We therefore consider that reducing the time ahead of the switch should not have a significant impact on the ability of consumers to resolve outstanding charges. The impact could be mitigated by suppliers giving clearer information to consumers with outstanding charges about the extended period they have after the contract end date to switch and pay outstanding charges. Consumers who are unable to resolve their outstanding charges will still have the option to switch to a cheaper tariff from their supplier.

Priority area 3: Annual Statements

We agree that Annual Statements are not as effective as they should be. Research conducted before the Retail Market Review by Consumer Focus (our predecessor

¹Data from GfK's Syndicated Energy360 study (Q4 2017). To find out how to subscribe to the GfK Energy360 study, please contact Shaun Smith at shaun.smith@gfk.com

²<https://www.citizensadvice.org.uk/about-us/how-citizens-advice-works/media/press-release/citizens-advice-responds-to-government-announcement-to-provide-six-weeks-breathing-space-for-people-in-debt/>

³ SLCs 24.9 and 24.10 state that SORTs must be sent 6-7 weeks before the end of a fixed term contract - although consumers can continue to be charged their old rates after this date if they apply to switch supplier up to 20 days after the end of their fixed term contract, with an additional 30 day period to pay outstanding charges after this. In practice, this means consumers with outstanding charges currently have a maximum of 14 weeks to pay these charges and switch supplier.

body) showed that consumer engagement as a result of Annual Statements was generally low.⁴ This was mirrored in Ofgem's own research into Annual Statements.⁵

Unfortunately there is little evidence that engagement with these communications has improved since then. Ofgem's recent customer engagement survey showed that only 2% of consumers were prompted to engage by the Annual Statement.⁶

We are concerned however that Annual Statements are currently the only communication required by regulation for prepayment customers and customers with smart meters. If the requirement for an Annual Statement is removed, then it is imperative these customers have equivalent rights to frequent bills/statements as non-prepay and traditionally metered customers (see evidence on prepayment bill/statement frequency below for more details).

Priority area 4: Tariff Information Label (TIL) and Cheapest Tariff Message (CTM)

We support the retention of these tools as they act as effective prompts for customers. However, we support greater flexibility in the presentation of the CTM to increase engagement with this information.

The core information about the tariff (tariff name, estimated usage, and - where applicable - end date and exit fee) should continue to be presented in one place, to ensure its usefulness for consumers (and advisers) when comparing energy prices. This part of the bill has already been simplified with the removal of the Tariff Comparison Rate.

Priority area 5: Price increase and other unilateral variation notifications

These are important communications to inform consumers about contractual changes, and our data suggests they are relatively effective at prompting engagement (see question 4 for more details). They are particularly important for customers on standard variable tariffs (SVTs), who do not receive a regular SORT at the end of each fixed contract period.

⁴<http://webarchive.nationalarchives.gov.uk/20130103091056/http://www.consumerfocus.org.uk/publications/missing-the-mark-consumers-energy-bills-annual-statements-and-behaviour-change>

⁵ <https://www.ofgem.gov.uk/ofgem-publications/39652/laweslanguageareport.pdf>

⁶ https://www.ofgem.gov.uk/system/files/docs/2017/10/consumer_engagement_survey_2017_report.pdf (page 56)

We support removing the prescribed format of these notifications, in order to allow suppliers to better meet the consumer outcomes included in the draft principles. We would be more concerned about any changes to the timing of PINs, which only give customers 30 days to switch before a price rise. They also do not provide protections from the rise for those who switch shortly after this point (unlike consumers receiving a SORT).

Priority area 6: Assistance and advice

We think that it is important that information about the Citizens Advice consumer service remains on all consumer bills and statements, and should also be sent with other key communications such as SORTs and PINs. This ensures that this signposting is included at the point that is most relevant to the consumer. For example, billing issues are the main cause of consumer complaints in energy, so it is important that information on how to access independent advice is signposted on the bill.

We think that the existing rules⁷ are open to abuse, as they allow suppliers to send information about assistance 'on or with' each bill and statement. This has allowed some suppliers to send the information as part of a separate leaflet with the bill, which can be disregarded by consumers as marketing.⁸ The new rules should end this practice and require suppliers to include this information on the bill itself.

Any changes to loosen the requirements to include this information on bills could increase risks for consumers. The consumer service acts as the main referral gateway for vulnerable consumers to be referred to the Extra Help Unit (EHU), which supports consumers in vulnerable situations. Reduced information about the service could leave vulnerable consumers struggling to receiving appropriate assistance, including in emergencies where consumers are off supply.

We think the requirement to signpost to the consumer service could be achieved through either a change to the current prescriptive rules, or a principles-based approach, by requiring assistance and advice information to be provided prominently, frequently and at Key Decision Points (as included in some of the other draft principles).

⁷ SLC 31.1

⁸ We are also aware that one supplier signposts to a debt charity on all bills while signposting to Citizens Advice and OSE on a leaflet alongside.

We are also keen that suppliers signpost consumers to the right third party services at the right time. Many consumers contact Ombudsman Services: Energy (OSE) before their complaint is within the OSE's terms of reference. This can add complexity to the customer journey, and prevent consumers from accessing independent advice and support that could help them resolve their complaint directly with their supplier.

We agree that contact details for OSE must be made available to all consumers at the key stages of their complaint journey. However, we think their current inclusion on all bills and statements can act as a prompt for consumers to contact them before they are able to deal with their issue.

3. What are your views on how well our proposed package of principles will deliver the consumer outcomes we have articulated?

The proposed package of principles has identified a comprehensive set of information that consumers need. However, in order to meet the desired consumer outcomes we think that Ofgem needs to consider how to ensure suppliers provide this information at the right time, at the right frequency, and with due prominence.

Some of the draft principles include requirements on when information should be provided - either that it should be 'frequently' or at 'Key Decision Points', or both. However, it is not clear why this is required for some principles and not others. For example, billing information is required 'frequently', while cost-consumption information is not, even though consumers will clearly need this information to understand how their bill is derived.

Similarly, some draft principles include requirements on prominence, but others do not. For example, information to encourage and enable engagement must be 'prominent', and information on emergencies must be provided in a format that enables consumers to 'quickly and easily identify the relevant party to contact'. However, other principles contain no requirements on the prominence of information. Ofgem should set out more clearly the rationale for any differences between the principles. It is our view that there should be requirements on both the frequency, timeliness and prominence of information on advice provision (as set out in response to question 2).

The current drafting of the separate principles sets out that principle F (impartial advice and information) relates mostly to the current rules on signposting of the consumer service, while principle E (complaints, disputes and emergencies) relates

mostly to signposting for suppliers and distributors, and OSE. We are concerned that this could overlook the fact that some consumers in emergency situations (such as disconnection) need access to the EHU, even though this is mainly available through referrals from the consumer service. Ofgem should set out that ‘emergencies’ should be defined broadly, so that this includes situations where consumers have self-disconnected due to financial crises, or require emergency assistance due to their vulnerability.

4. What are your views on how we could best ensure that consumers get information in a timely way? Part of the way we’re considering achieving this is by creating a new ‘Key Decision Points’ definition – do you agree that this is the right direction of travel or can you suggest better ways of achieving this objective?

This approach could be useful. Our research has identified some key triggers for consumers to consider switching.

Table 2. Triggers for proactive switching (ie where consumer was not directly approached by supplier to switch). Multiple choices were allowed.⁹

Trigger	Consumers who switched last quarter	Consumers who intend to switch in next quarter
Dissatisfied with provider	17%	17%
Tariff increased	44%	28%
Moved to SVT	19%	4%
Moved house	11%	3%
Other external reasons (eg recommendations, adverts)	44%	75%

This suggests that Ofgem could consider defining Key Decision Points more broadly than just tariff and price changes, but also include communications around house moves and the complaints process. This will maximise the timeliness of information to help consumers engage in the market.

In defining ‘Key Decision Points’ Ofgem will also need to ensure that consumers are given adequate information and prompts to engage, regardless of tariff type. For example, a consumer on an SVT or a three year default fixed term contract is currently likely to have fewer ‘decision points’ than one on a one year fixed term

⁹ Data derived from GfK’s Syndicated Energy360 study (Q4 2017). To find out how to subscribe to the GfK Energy360 study, please contact Shaun Smith at shaun.smith@gfk.com

contract. To overcome this, it may be necessary to introduce backstop requirements for information to be provided at regular intervals.

This already appears to be part of Ofgem’s thinking in the draft principle ‘encouraging and enabling engagement’ which sets out that customers are provided with this information ‘frequently *and* around the time of Key Decision Points’.

5. To help develop our proposals in specific areas, we are looking for evidence to help answer the following questions. Please share any evidence and/or consumer research you have relating to:

- **The optimal frequency for consumers to receive Bills, particularly to help them manage their finances/any debt.**

Research commissioned by Citizens Advice and conducted by GfK¹⁰ in 2015 found that most consumers wanted bills either quarterly (46.4%) or monthly (34.9%). However, quarterly billing is the frequent billing option offered by many suppliers. This lack of choice is not meeting consumer needs.

Most consumers wanted bills at their current frequency or more often, with very few consumers wanting less regular bills. This was the case regardless of the consumer’s current bill frequency.

Table 3. Current and desired bill/statement frequency

How often do you receive a bill/statement?	How often would you like to receive a bill/statement?			
	More frequently	The same	Less frequently	Don't know
Monthly	-	87.1%	10.5%	2.4%
Quarterly	16.9%	77.6%	2.7%	2.9%
Biannually	47.5%	45.2%	3.0%	4.3%
Annually	40.5%	50.7%	-	8.8%

We are particularly concerned that the current backstop requirement of biannual bills is too low. Only 12% of customers currently receive bills biannually or less - and around half of these said they wanted bills more frequently. We think this demonstrates that the current regulatory backstop of biannual bills should be reduced to quarterly, and that all consumers should be offered monthly billing.

¹⁰To find out how to subscribe to the GfK Energy360 study, please contact Shaun Smith at shaun.smith@gfk.com

More frequent bills would align with consumer preferences, but also have other benefits for consumers. For example, Citizens Advice research showed that consumers find bills which are infrequent and for larger amounts harder to deal with than those that are little and often.¹¹

- **What statements of account/information suppliers regularly give to their customers paying by prepayment meter.**

We are aware of a range of approaches suppliers take with regards to communications to their prepayment customers.

These approaches include:

- Sending only the current regulatory minimum communications (ie the Annual Statement).
- Sending more regular statements (quarterly or six monthly) in addition to the Annual Statement.
- Providing much more detailed and up-to-date information through online services. These communications are generally only available to customers with smart meters.
- Customers covered by the PPM price cap may also receive a PIN up to twice a year (depending on changes to the level of the price cap).

We think that all consumers - including those who pay by prepayment - should receive more frequent bills/statements from their supplier. It seems perverse that under current regulations some prepayment customers could receive a PIN more often than a statement of account.

Our research shows that prepayment customers want to receive statements more frequently than they currently do.¹² Over half of PPM consumers who expressed a preference said that they would like to receive statements quarterly or monthly.

¹¹<https://www.citizensadvice.org.uk/about-us/policy/policy-research-topics/energy-policy-research-and-consultation-responses/energy-policy-research/on-supply-in-control-using-data-to-identify-and-support-energy-consumers-in-financial-difficulty/> (page 21).

¹² GfK, commissioned by Citizens Advice (2015). To find out how to subscribe to the GfK Energy360 study, please contact Shaun Smith at shaun.smith@gfk.com

Table 4. Current and desired bill/statement frequency for prepayment customers

	How often do you receive a bill or statement?	How often would you like to receive a bill or statement?
Monthly	9.3%	16.8%
Quarterly	28.3%	30.8%
Six monthly	6.8%	11.6%
Annually	26.5%	16.6%
Don't know	29.1%	24.2%

We know that consumers with debts on their prepay meter can struggle to stay on supply if they don't know how much debt they owe and the rate at which this is collected.¹³ A more frequent communication from suppliers would keep them up to date on their usage and the level of debt remaining to pay, as well as providing more regular prompts to engage.

Prepay customers are also more likely to be vulnerable than other customers - yet they may currently receive information about assistance only once a year, whereas a customer on monthly bills paying by direct debit (who is less likely to be vulnerable) will receive this information at least twelve times a year.

- **Consumer engagement with the CTM, the TIL, the “About your tariff” label on Bills, and EACs on Bills. For example, how well do consumers understand these tools in their current formats/wording? Do you have any research as to how effective these tools are?**

Research by GfK (2015) showed that consumers generally do not have good recall information that has appeared on their bill, with almost all bill information recalled by less than half of consumers.

Table 5. The proportion of consumers who recalled certain pieces of information on their bills (information from ‘about your tariff’, CTM and EAC is highlighted).¹⁴

Information	Percentage
Amount of energy used	69.2%
Details of the unit rate	43.5%
Details of the standing charge	42.1%

¹³<https://www.citizensadvice.org.uk/about-us/policy/policy-research-topics/energy-policy-research-and-consultation-responses/energy-policy-research/good-practice-guide1/>

¹⁴ GfK, commissioned by Citizens Advice (2015). To find out how to subscribe to the GfK Energy360 study, please contact Shaun Smith at shaun.smith@gfk.com

Name of your current tariff	41.3%
Your estimated annual energy costs	36.9%
Your meter number(s)	34.4%
How the amount of energy supplied has been calculated	28.3%
How your current energy consumption compares with the previous year	26.8%
Emergency contact numbers	22.9%
Duration of your current tariff	22.7%
Contact details of your energy distributor e.g. for reporting safety issues	20.9%
How to make a complaint to your energy supplier	12.2%
Information about other tariffs that may be cheaper than your current tariff	10.7%
Financial penalties for exiting your tariff	7.9%
How to contact the Energy Ombudsman	6.9%
A tool for comparing your tariff with others	4.4%
What will happen to your supply in the event of a national energy emergency	3.9%
Contact details for the Citizens Advice consumer service (for information and advice)	3.3%

Information relevant to this question is highlighted in the table. Some of these items appear to be recalled better than others. The level of recall will also depend on how and where suppliers have presented this data, and may not correlate with how important the information is to consumers.

Our views on associated customer service issues

While we recognise the importance of these changes to communications, we also think Ofgem should do more to ensure that adequate, fit-for-purpose, customer service sits behind it. In particular, there is little point in having clear information on supplier contact details, if these contact channels have long wait times or are unavailable.

Information we gathered from suppliers last year showed that some suppliers had average wait times of up to 40 minutes.¹⁵ Lengthy wait times can lead to distress

¹⁵ Data shared privately with Ofgem

and harm to consumers, particularly those in emergency situations where they are off supply. Extended wait times for customers were one factor in Ofgem's recent decision to open an investigation into Iresa.¹⁶

We are also aware of suppliers entering the market with no telephone services at all. These online-only services often only give help and support through online communities. Although these services may be appropriate for a consumer when they sign up, this may not be the case if their needs may change over time (for example, if the consumer becomes vulnerable). Furthermore, some people become customers of a supplier without making an active choice to do so (eg when moving into a new house or after an erroneous transfer).



A 68 year old moved into a new property and did not have the internet. When she called the supplier she was told that she could only set up a new account and sign up to the PSR via the supplier's website (EHU case note)

Ofgem's Standards of Conduct set out that suppliers must ensure it is easy for a customer to contact them, and that suppliers must have customer service arrangements that are complete, thorough, fit for purpose and transparent. Suppliers are also responsible for proactively identifying vulnerable consumers. Yet it is unclear how they can achieve this requirement through online-only interactions with consumers.

We think that Ofgem should use the opportunity of this customer communications work to restate its views on telephone services, which last set out in an open letter in 2015¹⁷. This should make clear to all suppliers that in order to meet their licence obligations all energy suppliers should have a low-cost telephone line, with reasonable opening hours and short wait times.

We also think that these customer service failures further demonstrate the need for consumers to be given regular and prominent information about third party advice and support services, so consumers can get help and support when supplier services fail to meet their needs.

¹⁶<https://www.ofgem.gov.uk/publications-and-updates/ofgem-opens-investigation-iresa-s-customer-service>

¹⁷<https://www.ofgem.gov.uk/publications-and-updates/telephone-services-our-expectations-suppliers-operating-domestic-energy-market>

If you would like to discuss any aspect of this response further please let me know.

Yours Sincerely,

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