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Via email  
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## **The Citizens Advice Service response to consultation on proposed drafting for the Confidence Code to reflect January 2015 policy changes**

The Citizens Advice Service welcomes the opportunity to respond to the consultation on Ofgem's proposed drafting for the Confidence Code to reflect January 2015 policy changes. This submission is entirely non-confidential and may be published on your website.

The Citizens Advice Service agrees that the proposed Code drafting reflects the policy changes of the decision document published in January 2015. The Citizens Advice Service also shares the regulator's aim to ensure that the Code reflects recent and potential future market changes so it remains fit for purpose.

The decision to incorporate the guidance notes into the draft Code requirements seems sensible, and we agree that it should simplify and aid the readability of the document.

As stated in our response to the consultation last year<sup>1</sup>, we note that Ofgem intend to take forward the proposals to put in place a new Code of Practice for non-domestic Third Party Intermediaries (TPIs), with suppliers only able to deal with accredited TPIs.

The Citizens Advice Service would like to see an Ofgem-run accreditation scheme for all domestic TPIs accompanied by a new licence requirement on suppliers requiring them to only deal with accredited providers. Unless there is a robust incentive on Price Comparison Websites (PCWs) and other related TPIs, these providers can choose to leave what is currently a voluntary Code. We believe this approach would deliver the best outcome for consumers, as it will ensure all of the PCWs, including the largest companies, are brought within the accreditation scheme. The disintegration of the Code would drastically reduce consumer protection on energy PCWs – which is clearly not in the long term interests of energy consumers.

We recognise the need to strike a balance between promoting confidence in the use of PCWs in the energy market and ensuring that PCWs have a commercial incentive to remain in the market and help improve customer engagement. However, it should not undermine the consumer protection objective of providing a reliable and unbiased service to consumers.

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[http://www.citizensadvice.org.uk/index/policy/policy\\_publications/er\\_fuel\\_water\\_post\\_digital\\_telecoms/cr\\_fuel\\_water\\_post\\_digital\\_telecoms/citizens\\_advice\\_response\\_to\\_ofgem\\_s\\_consultation\\_on\\_domestic\\_third\\_party\\_intermediaries.htm](http://www.citizensadvice.org.uk/index/policy/policy_publications/er_fuel_water_post_digital_telecoms/cr_fuel_water_post_digital_telecoms/citizens_advice_response_to_ofgem_s_consultation_on_domestic_third_party_intermediaries.htm)

With regards to the availability of whole of market comparison we are pleased that Ofgem have strengthened the protections for consumers in this area. However, we would like to see the requirements further strengthened and with all sites defaulting to showing the entire market, rather than requiring consumers to choose between the two options. If the consumer's preference is to only see results for tariffs that they can switch to via the site – for ease of use - then we agree that this should be a proactive choice made by the consumer. We note that some sites have decided to default to show all tariffs on the market, although it is unclear whether this will be a permanent change to their process. We hope that other accredited (and unaccredited) sites will follow suit.

We acknowledge the concerns raised by the CMA about the ability of suppliers to free ride via PCWs as a result of the change<sup>2</sup>. However, we would like to point out that some sites already display all available tariffs by default. We also believe that a requirement to bring all unaccredited energy sites within the Confidence Code scheme is likely to decrease the free riding issue.

We strongly believe that a fair balance between competition and consumer protection objectives needs to be struck, to ensure consumers are not adversely affected by the changes and do not end up with a worse deal. A PCW defaulting to all available tariffs will be providing consumers with the most accurate information available to help make a decision on the best option for them. Our research indicates that currently consumers are confused by a great variety in displayed deals on PCWs despite inputting the same parameters.<sup>3</sup> As a result consumers do not trust one particular site, but need to use several sites, which is time consuming and not in their best interest.<sup>4</sup> A consumer using a supplier's website will not receive the same quality of information. Some suppliers don't even quote against the consumer's existing tariff or have a much more simplistic means of estimating usage. Ofgem's next focus should be on ensuring suppliers provide an improved price comparison to address the gap between the two comparison methods.

As indicated in our recent research there is a need for Ofgem, and other bodies such as ourselves, to drive more consumer awareness of the clear benefit of using a Confidence Code accredited PCW – particularly if sites are required to default to all available tariffs and their other sales channels are brought within the Code.<sup>5</sup> Ofgem's intentions here are welcome.

We are pleased that Ofgem is committed to conducting further work to ensure it can effectively oversee an expanded Code as this is one of the areas where we feel urgent improvements are needed. Our previous research indicates that consumers are likely to be driven to PCWs with big advertising budgets, which are not necessarily accredited<sup>6</sup>. Bringing unaccredited price comparison websites into the

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<sup>2</sup> [https://assets.digital.cabinet-office.gov.uk/media/54ef378a40f0b61427000005/Price\\_comparison\\_websites.pdf](https://assets.digital.cabinet-office.gov.uk/media/54ef378a40f0b61427000005/Price_comparison_websites.pdf)

<sup>3</sup> <http://www.consumerfutures.org.uk/files/2013/07/Price-Comparison-Websites-Consumer-perceptions-and-experiences.pdf>

<sup>4</sup> Ibid

<sup>5</sup> [http://www.citizensadvice.org.uk/index/policy/policy\\_publications/price\\_comparison\\_website.htm](http://www.citizensadvice.org.uk/index/policy/policy_publications/price_comparison_website.htm)

<sup>6</sup> [http://www.citizensadvice.org.uk/index/policy/policy\\_publications/price\\_comparison\\_website.htm](http://www.citizensadvice.org.uk/index/policy/policy_publications/price_comparison_website.htm)

Confidence Code is essential and it is worth noting that only one of the Big Four Price Comparison Websites is currently signed up the Code. This could also help improve consumer confidence in switching supplier and improve recognition of the Code and its benefits.

### **Commission**

We think it is essential that price comparison websites are transparent with consumers and make it clear that they are a commissioned based business with a financial interest in encouraging increased levels of switching through their sites. These sites play an important role in encouraging and facilitating consumer engagement in the market. It is important that consumers understand how PCWs operate and how they make a return. We acknowledge Ofgem's decision to revise the proposal regarding the messaging around commission arrangements. It makes sense that information about these arrangements is made available during the consumer journey and we agree that the messaging must be prominent, clear and intelligible.

### **Improved signposting and communications**

We agree with the approach taken for Warm Home Discount messaging and are happy to work with Ofgem to see if better information for consumers on the current status of each supplier's scheme can be produced.

It is critical that consumers, particularly the vulnerable, are aware of and get the help that they are entitled to regarding bills and energy efficiency. The revised proposal to make sure sites direct consumers during the consumer journey to sources of independent advice on their consumer rights, energy efficiency, and financial assistance to lower their bills seems to be a sensible approach. Similarly we think it would be helpful to ensure that consumers are made aware of how to obtain general advice about their rights as an energy consumer and a requirement to signpost to the Citizens Advice consumer service would be helpful.

Another communication issue which we'd like to see Ofgem address is ensuring that consumers with smart meters are given information about the potential loss of smart functionality when switching supplier in the pre Initial Live Operations era and prior to the Data Communication Company start up. We acknowledge that it is the responsibility of the new supplier to make clear what smart functionality may be lost a result of the switch but it would be useful for a PCW to flag up during the switching process that this could happen.

### **Accrediting different channels**

We believe urgent improvements are also needed in ensuring all channels used by PCWs are accredited by the Code including telesales and, in the future, face to face sales. These channels may appeal to different groups of consumers, including those without online access or those who have previously not engaged in the market before. Extending accreditation to encompass face-to-face and telesales activity will protect consumers and provide reassurance that it is safe to engage with this sales

channel. We are aware that Ofgem is working on these issues and urge the regulator to move quickly on these areas.

The accreditation of mobile app comparison services is a step in the right direction with the Code keeping pace with market as this platform can offer consumers a convenient way to engage. Ensuring the Code is future proofed to be able to adapt to the development of new services offerings made possible by technological changes is important.

### **Personal projection**

The Citizens Advice Service acknowledges Ofgem's decision to require accredited sites to use the Personal Projection methodology when calculating the cost for consumers of both current and potential new tariffs. We note that that sites will be able to provide consumers with the option of alternative calculation methodologies and that sites can compare the relative cost of tariffs based on current prices only. We would recommend that Ofgem closely monitors how sites publish this information as it could be an area for potential consumer confusion.

We look forward to hearing about Ofgem's way forward in relation to supplier-TPI information flows. The key barrier to new companies looking to enter this sector is obtaining access to historical tariff data. Companies normally have to enter into arrangements with an existing PCW to get access to the data. If the data was freely available it could lead to greater competition in this market and the development of innovative new services. To reiterate our view on this area, we suggest that Ofgem should publish all supplier tariff prices on its website.

For any queries regarding this response please contact:  
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