

Submission: The role of third-party intermediaries in the energy retail market

We are following up to your recent correspondence requesting evidence from Which? to your ongoing enquiry into Energy pricing and the future of the retail market. Please find answers to the specific questions posed in your letter below.

Introduction

Which? is a not-for-profit organisation and an independent consumer voice that provides impartial advice, investigates, holds businesses to account and works with policymakers to make change happen. Whilst we fund our work mainly through member subscriptions, we also operate a commercial division that supports the work we do campaigning on behalf of all consumers.

Which? 'Switch' was launched in 2014, and sits within our commercial teams, to provide consumers with a transparent and impartial way to compare energy tariffs as well as provide consumers with customer satisfaction ratings to help them find the best gas and electricity provider for their needs. Our service provides a 'whole of market' view of what tariffs are available. From launch until the 22nd of June 2022 it has been managed as a 'white label' agreement with tariff information provided and managed by *Energylinx* (a subsidiary of *GoCo Group*). We are currently in the process of transferring this agreement to *The Energy Shop*, in partnership with *Stickee Technology Ltd*. Both *Energylinx* and the *Energy Shop* are accredited to the Ofgem Confidence Code.

Which? 'Switch' doesn't operate as an 'auto-switching' service; it is designed to provide all available tariff information for energy suppliers regardless of their market size, and regardless of whether we currently have a commercial switching agreement with them. We believe Which? 'Switch' provides an accessible and transparent service for consumers, through providing additional research such as customer satisfaction ratings to help them make informed decisions on the best provider for their needs. We believe that effective switching in markets supports competition and this delivers better prices and customer service for consumers. However, markets also need the right regulations in place to protect consumers. That is why we have also advocated for better regulation of the retail energy market to ensure suppliers are financially sustainable and are able to provide consumers with the service they have advertised.

Thank you for the opportunity to submit evidence in relation to this issue, and please do not hesitate to contact Which? if you have any follow up questions relating to this evidence.

Questions

How many customers have used your services in the past five years and what has been your analysis of how your services are used?

1. All available data below is outlined at the time this submission was drafted, 19th June 2022, and is sourced from internal commercial data. This is commercially sensitive information, and is not for onward distribution.
2. Sessions on switch.which.co.uk over the past five years (*figure a*):
 - 2017/18 – *FIGURE REDACTED*
 - 2018/19 – *FIGURE REDACTED*

- 2019/20 – FIGURE REDACTED
- 2020/21 – FIGURE REDACTED
- 2021/22 – FIGURE REDACTED

3. Completed switches over the past five years (*figure b*):

- 2017/18 – FIGURE REDACTED
- 2018/19 – FIGURE REDACTED
- 2019/20 – FIGURE REDACTED
- 2020/21 – FIGURE REDACTED
- 2021/22 – FIGURE REDACTED

How much revenue did your organisation make from auto-switching for each of the last five financial years? Please itemise this against each supplier that used your service?

4. We do not generate income from ‘auto-switching’ as that is not a service we offer. Which? did accrue revenue from completed switches in the last five years, which is set out below.
5. All available data below is outlined at the time this submission was drafted, 19th June 2022, and is sourced from internal commercial data. This is commercially sensitive information, and is not for onward distribution.
6. Which? revenue from completed switches over the past five years (*figure c*):
 - 2017/18 – FIGURE REDACTED
 - 2018/19 – FIGURE REDACTED
 - 2019/20 – FIGURE REDACTED
 - 2020/21 – FIGURE REDACTED
 - 2021/22 – FIGURE REDACTED

In your view, what role did third-party intermediaries, particularly auto-switchers, play in fuelling a race to the bottom?

7. Which? ‘Switch’ does not operate an ‘auto-switching’ service; therefore, we cannot provide a first-hand commercial view on the effectiveness of that particular service in terms of fuelling a race to the bottom.
8. However, we believe that switching tariffs, prior to the recent collapse in the wholesale energy market, was an effective way for consumers to save money on energy bills. In terms of our own position as a third-party operator, we have always been committed to supporting consumers and providing them with a holistic view of the market irrespective of whether the switch was completed on our site. In previous years, consumers have used Which ‘Switch’ to simply conduct research, as well as a means of purchasing a new energy tariff, this is supported by website traffic of 100k regular visits since switchable tariffs were withdrawn in September 2021.

Can you explain whether your business model is focused on chasing commission from suppliers or on consumers’ needs and finding the best outcomes for the customers using your services? Should the commission that third-party intermediaries charge suppliers be regulated, and if so, how?

9. As a non-for-profit organisation, that is committed to providing independent and impartial consumer advice, we place the consumer at the heart of everything we do.

The purpose of Which? 'Switch' is to provide a whole-market view of all available tariff information for energy suppliers, regardless of their market size, meaning we are not driven to recommend providers based on commission. We believe this has supported the best outcomes for the customers using our service, as the way we operate this service provides consumers with impartial advice and ability to get a better deal, benefitting individual consumers. Which? also conducts regular research into energy companies customer satisfaction and service levels in order to provide consumers with an holistic overview of the market which is not purely focussed on tariffs.

10. Commercial revenue accrued through Which? 'Switch' accounts for less than 1% of our organisation's overall revenue, and therefore forms a minor part of our wider business model. In addition, revenue accrued allows us to re-invest the money to support our consumer related campaigning work, provide advice to consumers and support the functioning of the website. This therefore places us in a unique position in this market, whereby the commission earned (typically a flat rate between £15 and £45 per consumer switch) supports a business model that is targeted towards providing consumers with independent advice and support.
11. Which? 'Switch' is also a relatively minor service in comparison to other switching operators within the market, which is highlighted by the switching figures outlined in *figure b* in comparison with the total number of year-by-year switches nationwide.

Should money made from switching commissions be recouped from auto-switchers to mitigate some of the cost exposure to consumers from supplier failures?

12. Whilst Which? 'Switch' does not provide an auto-switching service, we do recognise the benefits of third-party intermediaries in providing consumers with a service to compare energy tariffs. As stated, commission provided through our own service supports the consumer advice we are able to provide and is therefore a useful means of supporting our wider organisation. As highlighted in *figure c*, it is also clear that when market failures occur, switching commissions are severely impacted as a result, and therefore may curtail the amount recoupable.

What regulations should be placed on third-party intermediaries to protect consumers?

13. It is important that every market is robustly regulated to uphold consumers rights and protections, and whilst we have not as an organisation provided comment on the regulatory framework for third party intermediaries, it is vital that consumers are supported. As referenced, we use a 'white-label' service, and the organisations that provide and manage our tariff information are signatories to the Ofgem Confidence Code.
14. We present consumers with a transparent choice of tariffs regardless of the companies that will accrue higher commissions for our business revenue, this enables consumers to make more informed decisions relating to tariff information.
15. It is critical that the broader energy market is regulated properly, and we have previously called for more effective means for energy companies to compensate consumers when switching goes wrong. We have also advocated for more effective regulation to ensure consumers have confidence that their new supplier is financially sustainable and will provide them with the service they have been advertised.