

Business, Energy and Industrial Strategy Committee
House of Commons
London
SW1A 0AA

By email: beiscom@parliament.uk

29 June 2022

Dear Mr Jones

Thank you for your recent letter regarding the role of Third-Party Intermediaries (TPIs) within the energy retail market, in particular relating to auto-switching services. We welcome the opportunity to respond to the matters raised and support the inquiry on Energy pricing and the future of the Energy Market.

We note that the role of TPIs in the energy retail market has been considered within government and regulatory studies and consultations over the past few years, including most recently the BEIS Call for Evidence into TPIs in the retail energy market which closed in December 2021 (the “Call for Evidence”). We shall refer to some of these studies and consultations as context. Whilst we note that TPIs provide services to both domestic and business customers, including microbusinesses, our response is limited to the domestic retail energy market in which MoneySuperMarket mainly operates.

Types of TPIs

In the Call for Evidence, TPIs were defined as being “a business or service providing customers with products and services linked to energy supply, such as advice on energy procurement and switching, typically sitting between the regulated suppliers in the energy system and customers, helping them to engage with the market”.

The Call for Evidence additionally recognised that there are many types of TPIs operating across the domestic retail energy market. Most relevant to our response are Digital Comparison Tools (“DCTs”), a term used by the CMA in the DCT Market Study launched in September 2016, defined as “digital intermediary services used by customers to compare and potentially switch to or purchase products or services from a range of businesses”. The range of business models that fall within DCTs include Price Comparison Websites (“PCWs”) and auto-switching services.

PCWs are website or app-based services which enable customers to input preferences and their personal details, to obtain tariff quotes easily and quickly from across a range of suppliers. Whilst results are typically sorted by price, PCWs allow customers to filter and compare suppliers and tariffs across a range of factors including tariff type, green tariffs, brand and customer service. Customers are able to select the tariff or supplier to which they switch. Some PCWs also offer phone-based or in-person comparison services.

A sub-set of PCWs are accredited under the Ofgem Confidence Code. This is a voluntary code of practice for domestic energy price comparison services available to independent PCWs which manage and control their own price comparison service and use their own tariff database and calculation engine. The Ofgem Confidence Code requires that its members follow key principles, providing reassurance to consumers about the independence, transparency, accuracy, and reliability of the service.

Auto-switching services automatically choose a new tariff or supplier on customers’ behalf, based on customers’ preferences and switch the customer to that tariff or supplier. Auto-switching services are able to determine the extent to which they reflect consumer preferences or exclude tariffs from their service at their discretion.

About MoneySuperMarket’s energy comparison service

MoneySuperMarket is a leading UK price comparison website. Our purpose is to help households save money on bills by giving them access to free online tools that enable them to switch and buy products. We operate a marketplace business model, matching consumers to providers in an efficient way. MoneySuperMarket enables consumers to compare and switch on over 50 products across Insurance, Money, and Home Services, as well as monitor their credit score and manage their bills.

MoneySuperMarket’s energy comparison service is accredited under the Ofgem Confidence Code. It enables consumers to easily search, compare and switch gas and electricity tariffs from licensed suppliers operating in the domestic retail energy market. The service is supported by a small call centre available to customers who have any questions or preferred to switch tariff or supplier over the phone.

MoneySuperMarket does not and has never offered auto-switching services to its customers.

Responses to specific questions

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

We believe that consumers use PCWs to reduce the cost and effort of searching for new products - PCWs provide consumers with the opportunity to compare different products quickly and easily, allowing them to find a 'better deal'. In most cases a better deal means saving money on their household bills, but decisions are often based on other factors other than price alone - consumers consider how products best meet their needs and requirements, customer service and brand reputation and other matters in their decision to buy through PCWs. MoneySuperMarket aims to help consumers save money by comparing and switching only to products appropriate to meet their needs. MoneySuperMarket sets out to explain how we work, how we get paid and the extent of suppliers that we work with.

The unprecedented market conditions have meant, since September 2021, we have been unable to offer consumers open market switchable tariffs which offer savings against default tariffs within the scope of the energy price cap. This has had the effect of the MoneySuperMarket energy comparison service ceasing to operate from September 2021.

Prior to September 2021, consumers wishing to use the service input their address details, the type of energy they were searching for (gas, electricity or dual fuel) and details of their current supplier and tariff. Results were presented in accordance with the Ofgem Confidence Code. Tariffs were listed in price order (low to high based on estimated annual cost). Further details of each tariff were provided including the tariff type, exit fees and a customer service rating (based off YouGov research and Citizens Advice data). Consumers were able to filter the results to reflect specific preferences including customer service rating, tariff type (fixed or variable) and tariff features (including no exit fees, warm home discount and green tariffs). Further information, including Tariff Information Label could be accessed by clicking "more information".

If the customer made a decision to switch to a new product they would click through to an application page (for those tariffs where the switch could be facilitated by MoneySuperMarket) or separately visit the supplier's website (for those tariffs where the switch could not be facilitated by MoneySuperMarket). On the application page some additional information was collected including direct debit details. On completion, the application would be passed to the new supplier to arrange the switch and the customer received email confirmation of the switch. All customers were able to change their mind and cancel the switch within the industry standard 14 day cooling off period.

Over the past five years, the following numbers of consumers completed energy switches using the MoneySuperMarket energy comparison service:

Note: we consider these numbers to be commercially sensitive and confidential and therefore require these numbers to be redacted if this response is to be published.

- 2021 (to September): REDACTED
- 2020: REDACTED
- 2019: REDACTED
- 2018: REDACTED
- 2017: REDACTED

2. *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.*

MoneySuperMarket has never offered auto-switching services to its customers.

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

We do not consider that PCWs accredited under the Ofgem Confidence Code have contributed to a "race to the bottom". The Ofgem Confidence Code was designed to offer reassurance to consumers and ensure reliability and stability of the service being provided by PCWs. Ofgem appointed auditors annually review compliance of accredited PCWs against the specific requirements of the code.

Taking each of the matters raised in the letter in turn:

- *Third party intermediaries encouraged customers to switch to the supplier that would pay them the highest commission -* PCWs accredited under the Ofgem Confidence Code are required to present results strictly by cheapest price first and must clearly identify any supplier with whom they have a commission arrangement in place for switches. MoneySuperMarket listed its results in accordance with these requirements.
- *Third party intermediaries only offered a handful of tariffs -* PCWs accredited under the Ofgem Confidence Code "must use all reasonable endeavours to include price comparisons for all available domestic tariffs, where applicable for all available payment types, for licensed suppliers (including for any agents, affiliates, and brands operating under the licence of a supplier), for gas, electricity and dual fuel." As such, virtually all open market tariffs were therefore available on

MoneySuperMarket and presented in accordance with the Ofgem Confidence Code requirements. When we raised potential concerns with Ofgem about the financial viability of a supplier with Ofgem with a view to removing that supplier from being listed on the MoneySuperMarket energy comparison service, we received the response that the Ofgem Confidence Code was unlikely to allow accredited PCWs to remove suppliers due to financial concerns.

- *Third party intermediaries took little account of individual consumers' needs* – PCWs accredited under the Confidence Code were able to provide additional filters so that consumers may search results based on different criteria selected by the consumer, but these must be opt-in only. As described above, MoneySuperMarket enabled consumers to filter the results to reflect specific preferences including customer service rating, tariff type (fixed or variable) and tariff features (including no exit fees, warm home discount and green tariffs).
 - *Third party intermediaries took little account of a supplier's customer service* - PCWs accredited under the Ofgem Confidence Code may assign supplier performance ratings if the approach had been considered by Ofgem or the ratings were adopted by other recognised consumer organisations (e.g. Citizens Advice). As described above, MoneySuperMarket included customer service ratings based on YouGov research and Citizens Advice data.
4. Can you explain whether your business model is focused on chasing commission from suppliers or on consumers' needs and finding the best outcomes for customers using your services? Should the commission that third-party intermediaries charge suppliers be regulated, and if so, how?

Please see explanation above on how the MoneySuperMarket energy comparison service operates. MoneySuperMarket's purpose is to help consumers save money which in turn drives our business model. We are focussed on enabling consumers to find tariffs which meet their needs and help them save money.

We have been and remain supportive of government and regulatory policy to extend the scope of regulation to include Third Party Intermediaries operating in the domestic retail energy market. Please refer to our answer to question six, for further information about regulation for Third Party Intermediaries.

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

MoneySuperMarket did not operate an auto-switching service and therefore we are not in a position to fully and fairly assess any contribution that auto-switching may have played in supplier failures.

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

We are supportive of extending the scope of regulation to include Third Party Intermediaries operating in the domestic retail energy market. We believe the scope of this regulation should include any third party not already subject to specific license conditions within the energy industry, which is involved in arranging the setting up or switching of an energy supply tariff. Through this activity based approach, consumers could be equally protected, irrespective of how they seek engage in the energy market and the scope will be flexible enough to extend to future business models.

We believe that regulation should place requirements on Third Party Intermediaries across their activities such as the principles of Treating Customers Fairly; clear disclosure of their service offered and the suppliers with which they work, explanation of remuneration, clear, fair and not misleading advertising, and requirements on the inclusion of appropriate information regarding the presentation of tariffs and their estimated annual costs.

We trust that this response answers your questions.

Yours sincerely



Michael Phillips
Chief Commercial Officer