



24 June 2022

Dear Mr Jones

Thank you for your letter of 26th May (received by us on 15th June) containing your questions on the retail energy market.

I have pleasure in providing you with answers below.

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

The [Switchd](#) service is not the same as other operators currently in the market. We offer a whole-of-market, data-driven switching service paid for by our members rather than generating revenue through supplier commissions. Our service has been used by tens of thousands of customers in the last five years to help their households save money. Every switch our members made was to a tariff which was publicly available, but typically hard to find through other switching services.

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.

In more normal market conditions, typically only around 1/3 of available tariffs pay a commission to the switcher – meaning there is almost always a cheaper (non commission-paying) tariff available to the consumer.

Our unique model means over 95% of our membership take a paid subscription to Switchd which enables us to offer a whole-of-market service, rather than merely the more expensive commission-paying tariffs. Uniquely, this means our revenue is transparently and directly derived from the consumer, not from the energy provider.

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

We see a “race to the bottom” as a pejorative term – our mission is to find our members their best home energy deal. That may be the cheapest but our members also have the opportunity to set other criteria such as green energy provision or a minimum level of customer service, for example.

What is common among our members is that they want to avoid the rip-off tariffs that had been allowed to dominate the market for too long.

We do not see how auto-switching members to deals made publicly available via providers’ websites has encouraged a “race to the bottom” or indeed caused the turbulence felt in the market. Instead, we feel the market crash has been driven by the huge increase in wholesale prices, a lack of forward planning and hedging from some providers and a lack of financial oversight from the regulator.

Auto-switchers are simply not big enough to drive this market. Some 6.4million households changed energy provider in 2019 and a further 6million in 2020. Despite this, the legacy providers (British Gas, EDF, E.On, Ovo (including SSE) and Scottish Power) still accounted for 5 of the 7 biggest suppliers by December 2020. This hardly indicates a “race to the bottom”, indeed it indicates that much more innovation and differentiation is required in this market.

As you mention, auto-switching only accounted for 500,000 households, less than 8% of the energy switching market. Far more attention could be paid to those much larger comparison services who have perhaps used their market position to demand lower prices for their customers alongside bigger commissions for themselves.

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 the customers using your services? Should the commission that third-party intermediaries charge suppliers be regulated, and if so, how?

Our model is based on membership fees – our members pay for our service to enable them to switch to the whole market, not to the commission-paying providers.

As a subscription-based service, we have insight into which provider our member is with at any given time (whereas comparison sites only know the point of their last transaction). This means that during the chaotic SOLR process, we were able to communicate calmly and effectively with our members, keeping them informed of the process (when communication from both losing and gaining suppliers was typically poor). This has led to Switchd continuing to receive 5-star reviews from members on independent review site Trustpilot (one recently commenting, “They helped put my mind at ease during the energy crisis. They made things clear and easy to understand, and the customer service was great!”).

Members still feel they are gaining value from their subscription, leading to our exceptionally high retention rates even in these difficult times.

We don’t feel that the level of commission per se needs to be regulated, it is after all, a commercial decision between private businesses. We do believe, however, that the amount of commission taken should be clearly and transparently stated to the consumer ahead of and at the point of purchase.

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

Assuming we were assured that money was used to directly benefit the consumer and not huge businesses such as British Gas or Shell, that commission was recouped from all switching services rather than just auto-switchers and that all data was made public by the relevant government body, we would support such a policy.

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

Third-party intermediaries serve to increase competition and, in theory at least, improve consumer outcomes in the energy market. Auto-switchers are merely a more efficient way of a consumer ensuring they are always on their best tariff. We are not driving the market but simply making it more transparent for UK households.

Written submission from Switchd (EPM0039)

However, tighter regulation could be placed on all switching services (rather than picking on the more innovative auto-switchers). We recommend that consumers should be able to clearly see not just the commission being made by the switching service but also the difference in price between the deal offered and the customer's best deal from the whole market.

Please do not hesitate to contact me if I can be of further assistance to you or members of your committee.

Yours sincerely

Richard Leader
Head of Growth
Switchd Ltd