



Concorde House
18 Concorde Road
Bristol
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flippercommunity.com

28th September 2018

Dear Mr Nolan,

Concern over the transparency of Price Comparison Websites

I am writing to raise concern about the transparency of Price Comparison Websites (PCWs) and whether their customers are getting a fair deal.

Flipper fully support Ofgem's objective of protecting the interests of energy consumers and promoting both value for money and development of competition. Indeed, we agree that delivering an affordable energy system has never been more important - or challenging - given the current increase in costs being seen throughout the energy supply chain and which affects all customers.

However, we believe recent actions taken to try and achieve this may have an adverse effect and that many consumers who believe they are making great savings on their energy costs by using comparison websites will in fact pay more than they need to.

This is worrying given the huge trust consumers have in PCWs with the latest independent research showing that a massive 76%, or 3 out of 4 people, said they would use these sites as a source of information when considering switching their energy supplier.¹

The need for a fair deal

We feel strongly that the decision in July to remove the Whole of Market (WoM) requirement from your Confidence Code² was not in the best interest of customers. We believe the fact PCWs are now no longer obliged to show every tariff available is not consistent with the intent of the code, which is to reassure consumers using a PCW they can feel confident they are receiving an independent, transparent, accurate and reliable service³.

We do not see how a consumer can truly rely on a service, or view it as completely accurate, if it does not have to show them the best value tariff(s) available in the market.

The justification for the removal of this requirement was the Competition and Market Authority's (CMA) decision that it was actually harmful to price competition, as it reduced the incentive for PCWs to reduce commissions and win customers.

This being the case, we would like to understand why the removal of the WoM requirement was not therefore accompanied by a recommendation - or even an obligation - for PCWs to prominently display the level of commission that they receive from each supplier.

¹Research carried out via Vital Statistics, online between 21/09/18 and 25/09/18. Sample of 1,878 UK adults responsible for the energy bill in their household. All research conducted adhered to the UK Market Research Society (MRS) code of conduct (2014). All research processes complied with the DPA (1998).

²https://www.ofgem.gov.uk/system/files/docs/2018/07/decision_letter_-_confidence_code_wom_-_16_july.pdf

³<https://www.ofgem.gov.uk/publications-and-updates/confidence-code-code-practice-online-domestic-price-comparison-services-0>

Commission being paid with no real benefit to the customer

Commission-based referrals from price comparison sites are estimated to be worth up to £80 per switch. This is a significant sum which the overwhelming majority of consumers are not aware of – the independent research showed 85% of consumers had no idea how Price Comparison Website make money.¹

Requiring PCW's to display the commission rates they earn from energy suppliers would ensure transparency – a key intention of the code – and enable Ofgem and consumers to monitor the level of commission and check that this is indeed falling over time as expected.

We also question whether these commission-based models have a detrimental impact on customers in other ways, with suppliers recouping the money that is being paid to PCW's through:

- automatically rolling customers onto more expensive tariffs when their deal ends
- applying exit fees to tariffs – which dissuade switching
- increasing tariff durations – which keep customers 'locked in' for longer
- charging the first initial payment up front - which can be a BIG shock for customers

Call to investigate the impact of commission on tariffs

The need to take action to help mitigate the increase in energy costs has never been greater, and with supplier operating costs being a key component of a customer's energy bill – accounting for circa 18% of the total⁴ – surely it would be beneficial to understand how much of this is commission payments to PCWs?

We are therefore calling on Ofgem to launch a consultation into the level of commissions being paid by suppliers to PCWs and Energy Switching Services to understand:

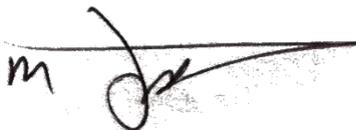
1. The actual amount(s) of commission being paid, and if this is changing over time.
2. The impact commission payments have on a customer's bill (given the most competitive tariffs in the market are usually offered by suppliers who do not pay commission to PCWs)
3. If there is any link between commission payments and the practices noted above
4. If customers are aware that commissions are paid when they use 'free' services
5. If, how and where these values should be displayed by PCW's for customers to view

I am sure you will agree that any action which could help ensure customers get value for money, provide protection from overpaying for energy and encourage more consumers to switch is worth exploring.

We are passionate about this issue and will also be speaking to media stakeholders and consumer bodies about it over the coming days.

I welcome your thoughts on these issues.

Yours Sincerely,



Mark Gutteridge
Managing Director,
Flipper Ltd.

⁴<https://www.ofgem.gov.uk/publications-and-updates/infographic-bills-prices-and-profits>