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Mr Tim Yeo MP
Chair
Energy and Climate Change Committee
House of Commons
14 Tothill Street
London SW1H 9NB

20 February 2015

Dear Mr Yeo,

Energy and Climate Change Committee – Oral evidence: Energy price comparison websites, HC 899, Tuesday 3 February 2015

Thank you for the opportunity to give oral evidence on 3 February. In addition to reviewing the uncorrected transcript of the session and providing further information requested by the Committee, Dr Bhatti has indicated that it might be useful for us to provide additional evidence that we believe may be of interest.

In the main body of this letter, we respond to the request for additional information, and then in the Annex to this letter, we have provided further evidence. I am of course happy to meet to discuss any of the points set out below.

1. Accuracy of information provided to consumers
Q136-Q141 – the Committee has requested information regarding employees being disciplined for giving inaccurate information, amount of compensation paid, information provided on your websites about compensation arrangements.

Gocompare.com partners with energyhelpline.com to provide its energy price comparison service, and this service has been live since 20 February 2014. During that time, Gocompare.com and energyhelpline.com have handled a total of 44 energy-related customer enquiries. Of the enquiries referred to energyhelpline.com, nine were upheld as complaints by their call review procedures (not by the ombudsman, but by internal standards). Of these complaints, one was relating to an error on the energy supplier’s part and eight were for errors made by agents entering incorrect information during a call (such as a customer’s postcode or mishearing who the customer’s current energy supplier was). Where complaints are upheld for an agent error, energyhelpline.com removes the agent from the telephones while they undergo training to try to prevent mistakes being made again in the future.

During this same period, over 40,000 households switched their energy through Gocompare.com’s service.

2. Advertising

Q147 – percentage of income spent on advertising

This is commercially sensitive information that has been provided in a separate document which is not for publication.

3. Profitability

Q156 – income/profitability of energy switching part of your business

Again, this is commercially sensitive information that has been provided in a separate document which is not for publication.

4. Dynamic teleswitching customers

Q195 – information relating to whether price comparison websites are able to help dynamic teleswitching customers
Ofgem has identified that Dynamic Teleswitching (DTS) customers do not have the same level of access to competition and choice in the energy switching market, and have conducted research into this area (https://www.ofgem.gov.uk/ofgem-publications/82288/state-market-customers-dynamically-teleswitched-meters.pdf and https://www.ofgem.gov.uk/ofgem-publications/91290/coverletter-understandingtheexperiencesofdtscustomersbigsofaresearchreportfinal.pdf).

This market was also included this as a specific area of concern in their referral of the energy market to the Competition and Markets Authority (CMA).

As Ofgem found, suppliers do not actively advertise or make available their DTS tariffs and will typically provide the information to customers who specifically request it. Therefore comparison sites, which are reliant on the information provided to them by suppliers, do not have this information available in order to facilitate comparison services for these customers. While the roll out of smart metering is likely to have a positive impact on these customers, we keenly await the findings of the CMA and how both suppliers and comparison services can support increased competition and choice for customers in this sector.

We hope this answers your request for additional information. However, if anything else is required please let us know and we will be happy to provide it.

Yours sincerely,

Phil Morgan

ANNEX

Additional information relating to the hearing submitted by Gocompare.com for the Committee’s consideration. We have included the question number that we are addressing for ease of reference.

Q10 – Price comparison websites and the ‘big six’ energy suppliers
In reference to points raised here, we feel it is important to note that price comparison websites have increased competition in the energy market and helped smaller, challenger energy suppliers to take on their ‘big six’ counterparts on a more level playing field. In fact, based on Gocompare.com’s switching figures over the last 12 months, 7 out of 10 switches were for customers moving to small suppliers.

Q11 – Explaining to customers why a particular tariff is not available to them

We’d like to clarify that it is not currently possible to explain to a customer the reason why a tariff may not be available. While we would like to be able to tell the customer if a supplier doesn’t ‘want any more customers’ for a particular tariff, we aren’t told the reason by the energy supplier. They just say whether they will accept switches via the price comparison website or not.

Q33 – The effect of energy supplier reputation on the decision to switch

The following figures, from research\(^1\) commissioned by Gocompare.com that was carried out on people that were customers of the ‘big six’ suppliers, may be useful to the Committee as they indicate how mistrust of the energy industry is a wider issue, affecting all suppliers - big and small:

- 29% of people expected to switch away from the big six in the next three years
- 17% said that they would not consider moving to a smaller supplier
- When asked why they wouldn’t consider switching to a smaller supplier, respondents said:
  - If they go out of business my gas/electricity will be cut off – 9%
  - They don’t have as many staff, so their service will be bad – 4%
  - I don’t trust them – 19%
  - I’ve never heard of them – 68%
  - They don’t have enough customers to be financially stable – 15%
  - All energy suppliers are the same, so I’ll stick to what I know – 22%

\(^1\) Based on research commissioned by Gocompare.com and carried out by Consumer Intelligence on 13 and 14 December 2013 with 2,016 UK adults who are customers of the ‘big six’ energy suppliers (British Gas, ScottishPower, E.ON, npower, EDF, and SSE)
The same survey also revealed that 22% of people didn’t switch because ‘I find energy bills so confusing that they put me off shopping around’, while 19% said ‘I’ve compared energy tariffs but the choice was bewildering so I stayed put.’

Q89 – Question wording

We have included, for the benefit of the Committee, a screen shot (below) to show the wording we currently use for the question we ask before people can see their tariff result. This question must be answered and neither option is pre-selected, so the customer has to make an active choice about the view they wish to see on the results screen based on the information provided:

![Your Tariffs](image)

We intend to work with Ofgem and an independent third party to trial a number of variations of this wording to determine what version people find clearest, and which they believe to be the most useful and understandable. We will then update our wording accordingly.

Q105 – Impact on consumers and the energy market

As has been noted throughout the transcript, various bodies including the Financial Conduct Authority, Ofgem, Competition and Markets Authority and Citizens Advice Bureau have acknowledged that price comparison websites have been a force for good for consumers.

As an example of increased competition in the energy market - in 2007 there were 16 energy suppliers (including five SSE brands that at that point were all separate suppliers). By the end of 2014 there were 33 energy suppliers in the market – a 106% increase in seven years.
We would also like to draw the Committee’s attention to the written submission provided by First Utility to demonstrate why commission payments made to comparison websites are an effective marketing spend for energy suppliers.

First Utility is a challenger energy supplier whose tariffs are consistently in the top five cheapest deals in the whole market. It is a supplier that has managed to grow to over one million customer accounts and as such is able to participate in the Warm Home Discount scheme as a result.

This is something previously limited to just the ‘big six’ suppliers, but now smaller, challenger suppliers are taking part in the scheme too. Price comparison websites have allowed these suppliers to reach their customers in a way that means that they only spend money if they first get a new customer, whereas with other forms of marketing they would have to meet a cost irrespective of whether it resulted in them gaining customers or not.

Q169 – Commission disclosure

Point 2.20 of an Ofgem document published on 30 January 2015 – Confidence Code Review – Decision2, it states that: We do not propose to require sites to show the amount of commission they receive from suppliers for switches completed through their site. Our RMR requirements mean that the level of commission a site receives will not affect the price that a consumer pays, so it shouldn’t be a factor in their decision-making. There is a risk that including this information may confuse consumers or lead them to make a poor decision, for example selecting a more expensive tariff because the site receives less commission for it. There is also a risk that making this information available could harm competition by enabling tacit co-ordination among suppliers and/or sites.

We agree with the points raised by Ofgem in this regard.

February 2015

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