



**Response by Energia to CER, Consultation,
CER/17/003**

***Review of Typical Domestic Consumption Values for
Electricity and Gas Consumers***

13th February 2017

1. Introduction

Energia welcomes the opportunity to respond to this CER consultation *Review of Typical Domestic Consumption Values for Electricity and Gas Consumers*. As a relatively recent entrant into the domestic market, we understand the challenges in seeking to engage all customers in the competitive market and the important role clear, independent, and accurate information can play in customers' decisions to switch energy supplier.

General Comments

The first point to note is that irrespective of what level the CER decides on for typical domestic consumption in both gas and electricity, it will be wrong for all customers. Nevertheless, what is important is that the level that is set by the CER provides clear, relevant and useful information to the customer or cohort of customers that it is targeted at. Absent further significant measures and reforms of the domestic energy market, over and above the unproven annual prompt proposed in the revised Supplier Handbook, Energia considers these values and the vast majority of the revised Handbook to be focussed almost exclusively on those customers who have engaged with the competitive market; i.e. switchers. In this context, it is important that potential biases in the data, introduced by the c.50%-60% of customer that have never switched energy supplier, are identified and corrected for.

The remainder of this response is focusses on two distinct issues; 1) the data, and; 2) the stated objective(s) of the CER and the interactions between the typical consumption values and the proposed uses of the data both in the market and importantly in the proposed, revised Supplier Handbook.

The discussion in the consultation paper on the use of mean or median consumption values fails to take account of this large cohort of customers that have never switched and are unlikely to switch without further regulatory measures and reforms. While the difference between the two approaches appears to be small in respect of gas, the mean analysis contained in the table on page 13 of the consultation paper appears to suggest that there is a significant difference between 24-hour and day/night meter types, as well as between urban and rural tariff types. However, this analysis isn't replicated for the median value presented and unsurprisingly the median value presented is broadly similar to the Urban Domestic 24-hour mean value of c.1.2 million sites. From a simple data perspective, without sight of the data and analysis of the relevant distributions, it is not possible to provide a firm view on the suitability of either approach. This issue alone, but particularly when taken in conjunction with the remaining points in this brief response, suggests that the analysis undertaken to date is inadequate and requires further clarification and refinement if it is to achieve the objective of the CER, as stated in the consultation paper.

The typical domestic consumption value is an important component for suppliers trying to engage customers in the market. It is proposed that this value will have an increased importance under the proposed new and enhanced provisions contained in revised Supplier Handbook. The typical domestic consumption value will form the

basis for supplier's savings messages, through the estimated annual bill, which it is hoped will be an added incentive to customers to engage with the competitive energy market and switch supplier. Whilst there is a need to be balanced in terms of the typical consumption value not being too high and representing an unrealistic saving, there should also be the realisation that a figure that is too low may have an impact on switching and set unrealistic expectations for customers in terms of the overall expected cost of electricity and/or gas in a given year. The risk therein is that the customer may subsequently disengage from the market due to a perception that they may not benefit significantly from any engagement. As stated herein, while it is accepted that a "correct" typical domestic consumption value doesn't exist, it is necessary that the value set by the CER is clear, accurate and relevant. We suggest that the CER should err on the side of caution in setting this value, as the information conveyed to the customer through this value has the potential to confuse and frustrate the typical customer who engages with the market, and would act contrary to the intention of better informing the customer in relation to their consumption (e.g. energy services), the estimated annual cost of their domestic energy consumption (e.g. household budgeting) and the realisable savings from engaging with the competitive energy market (i.e. switching activity and competition).

Finally, the proposal to utilise three different consumption thresholds on Price Comparison Websites (PCWs) is considered to be problematic for two distinct reasons. First, the presentation of different information on PCWs from that which is proposed in the revised Supplier Handbook will lead to customer confusion, customer queries and customer frustration with suppliers and the energy market, which is ultimately contrary to the interests of customers and competition. Furthermore, the use of the proposed self-selection thresholds on PCWs is likely to over-complicate the customer's choice and confuse the savings message being communicated to the customer and giving rise to potentially unrealistic expectations from customers and to their dissatisfaction with the energy market, again giving rise to the same issues identified in relation to the first issue; detriment to the customer and competition.

The concerns raised herein refer specifically to proposals that would appear to be at odds with the objective(s) of both this consultation paper and the proposals contained in the revised Supplier Handbook; further consideration must be given to these objectives, taking both papers together, and to the CER's wider statutory requirements to promote competition and to protect the interests of customers.