

Gina Kelly  
The Commission for Energy Regulation  
The Exchange,  
Belgard Square North,  
Tallaght,  
Dublin 24

13<sup>th</sup> February, 2017

Subject: Review of Typical Domestic Consumption Values for Electricity and Gas Customers

Dear Gina,

I trust you are well, thank you taking time to discuss domestic consumptions values with me on February 10<sup>th</sup>.

We take this accreditation and our role in the market very seriously, and as such we welcome the opportunity to respond to the CER's consultation on their Review of Typical Domestic Consumption Values for Electricity and Gas Customers.

As one of just two CER-accredited price comparison websites in Ireland, we have access to significant amounts of data on switchers, which makes us uniquely placed to comment on these proposals. Our comments on each specific proposal, along with some other general observations, are outlined on pages 2 to 5.

I welcome the opportunity to discuss the enclosed in the coming days. I look forward to hearing back from you.

Yours sincerely,



Eoin Clarke  
Managing Director  
Switcher Limited

## Introduction

Switcher.ie is an independent and impartial price comparison site, and is accredited by the CER for energy comparisons.

It is vital that consumers are able to enjoy clarity, transparency and simplicity, as this will give them the confidence to better access the market. It is important that this is a key consideration before any changes are made. The drive should always be to boost consumer education, engagement and empowerment. With this in mind, we highlight a couple of concerns in our full response below.

Key amongst these is the fact that consumers will need help understanding what high, medium and low means. Secondly, any education about user profiles should be backed up by a clear message about getting an independent and impartial quote from an accredited service that is based on the consumer's actual and unique energy usage and circumstances. Any consumer messaging around the changes must make it clear that this is the only way to get a truly accurate reflection of costs.

It is also important to recognise that the proposed changes could lull consumers into thinking that prices or the cost of energy has gone down and this could adversely affect their engagement in both switching and in taking on board energy efficiency measures.

We would also propose that the CER also looks to take action to ensure that consumers are regularly provided by their suppliers with their actual annual consumption figures along with messages about using them to check whether they are on the right energy tariff for their needs.

Along with the changes already proposed as part of the review of the Suppliers Handbook, this kind of innovation would help to move the market away from consumers playing guess work and towards a market where consumers are fully equipped to make the right choices for their needs

Finally, while Switcher.ie would be in a position to make any necessary changes across our website on the specified dates, we would argue that perhaps it would be more transparent for energy customers if, rather than staggering the dates, all of the changes came in at the same time. This would allow for a consistency across communications, which will be key to ensuring consumers understand these changes and what they mean for them.

## CER Proposal 1

A median value should be used for typical annual consumption for electricity and gas. This will be used as the revised industry figure, to be used by accredited price comparison web sites and suppliers to calculate the typical annual estimated bill. A revised figure of 3,500kwh is proposed based on the above methodology. The timeline for introducing this figure is the 3rd of April 2017.

### Switcher.ie comments:

When a user switches electricity on Switcher.ie, they are asked to enter their annual electricity consumption in kw/h - and if they don't know it, they can choose to select the typical annual consumption.

Filtering out those who didn't enter their consumption/selected the typical consumption, we found that - for users that switched using Switcher.ie over a typical 3 months - 86.63% of people had a consumption over the median figure of 3,500 kw/h proposed by the CER.

This would suggest that the median figure proposed is not reflective of the electricity consumption of users of our website. In fact, in the period examined, 63.07% of our customers entered consumption values above 5,200kw/h - which is the 'high' consumption value proposed in this paper. 23.56% had consumption levels between 3,501 and 5,200 kw/h.

The CER points out on page 9 of the consultation that, by using the average, a closer value of typical electricity consumption would be provided for high consumption users. If this is the case, analysis of our data would suggest that arguably the average, rather than median, would be more representative for our users.

To note, the proposed drop in typical consumption value will result in average electricity bill sizes coming down by approximately 33% and gas bill sizes dropping by approximately 20%. It is worth noting that consumers who are not aware of the change in consumption figures may see this as a price drop, rather than a change in the method of calculation, so communication of these changes will be highly important.

In addition, the CER notes on page 8 that its market monitoring analysis suggests that it is possible that customers with low consumption are less likely to switch supplier and are less likely to be on the best available tariff.

It's worth noting that, if consumers with lower consumption are less likely to switch supplier, arguably reducing the consumption figures could contribute to a drop in the level of people switching to cheaper tariffs.

## CER Proposal 2

It is proposed that a low median consumption figure and a high median consumption figure is also introduced for typical annual consumption for electricity. A figure of 2,100kWh is proposed for low consumption customers and 5,200kWh is proposed for high consumption customers. The timeline proposed to introduce these figures by accredited price comparison web sites is the 5th of June 2017.

Views are invited on:

- The practical implementation of a low, median and high consumption figure.
- The time lines to introduce these figures.
- Other practical considerations of staggering the introduction of the figures.
- Any other comments.

### Switcher.ie comments

We welcome the proposed introduction of varied consumption figures to price comparison websites and would be in a position to introduce this change within the proposed timeline.

However, as the CER points out on page 3, customers may not be aware of their current annual consumption values for a variety of reasons. In the event that a customer does not know or have access to their actual consumption details or values, it's perhaps unlikely that they will know whether they fall into the 'low, medium or high' brackets, either.

We also note that on page 14, the CER points out that - in terms of future refinements - balance will need to be made between moving to more accurate figures and promoting understanding of how the figures are calculated and how customers can identify their appropriate consumption level.

As such, we would propose that, rather than the current suggested 'low', 'medium' and 'high' groupings, efforts are made to identify typical consumption values by household size and type.

We feel this method would allow customers to self-identify in a much simpler way, and is more likely to provide them with accurate information and price comparison results that suit their circumstances and usage.

For example, we would note again that over 60% of our customers who entered electricity consumption values on our site had higher consumption than the proposed 'high' value of 5,200 kw/h. Arguably, using identifiers based on household size and type would place these users in a bracket more suitable for their needs than the one currently proposed.

### CER Proposal 3

It is proposed that the median methodology is used to determine the typical gas consumption value. A figure of 11,150kWhs is proposed for the median value. Similar to electricity, it is proposed that low consumption and high consumption median values are also provided by price comparison websites. The low consumption value is 3,630kWhs and the high consumption value is 62,250 kWhs

Views are invited on:

- The use of a median consumption figure, to be introduced by the 3rd of April 2017 by price comparison websites.
- The use of low and high consumption figures, to be used by the 5th of June 2017 by price comparison websites.
- The timelines for introduction of these figures.

### Switcher.ie comments

Again, we welcome the review of typical consumption figures and the proposed introduction of varied consumption figures to price comparison websites and would be in a position to introduce the changes within the proposed timeline.

However, we would note that - if price comparison websites are to use low, medium and high figures - the high figure for gas seems disproportionately high when compared to the low and medium figures and the high figure for electricity.

Judging by our data, only 1.81% of users who switched and entered their gas consumption had a consumption of this amount or higher. In comparison, 63.07% of our electricity consumers entered consumption above or equal to the proposed 'high' value.

In terms of the data we have extrapolated, only 9% of gas customers entered usage of over 35,000kw/h. 52.7% had consumption between 11,151 and 35,000, so if a 'low', 'medium', 'high' approach is taken, perhaps as a high point, 35,000kw/h would be more realistic.

Again, however, we would suggest that using household size and type as an identifier may be more appropriate in this instance, and an easier way for energy users to self-identify.

### **Conclusion**

Consistency of communications on this matter will be crucial, so Switcher.ie will commit to implementing all of the changes that are agreed following this consultation, and communicating same.

However, as we have outlined in our response, we believe that the figures proposed are not truly representative for people using our site - particularly for electricity - and therefore would welcome additional discussion on a more suitable way forward that will benefit all energy customers and give them the confidence to better access the market.