

Notice of reasons¹ to issue Directions pursuant to Standard condition 32A – Direction for the participation in the Cheaper Market Offers Communications Trial

This letter sets out the reasons for the decision of the Gas and Electricity Markets Authority (“the **Authority**”) to issue directions pursuant to standard licence condition (“**SLC**”) 32A (*Power to direct suppliers to test consumer engagement measures*) of the electricity and gas supply licences of [supplier name redacted] (the “**Suppliers**”).

The following directions were issued to the Suppliers on 17th May 2018 in connection with the Cheaper Market Offers Communications (“**CMOC**”) Trial (the “**CMOC Directions**”).

Background to, and rationale for, the Directions:

In its Final Report on its Energy Market Investigation, the Competition and Markets Authority (“**CMA**”) made a number of recommendations to the Authority to address the adverse effects on competition (“**AEC**”) it identified in the gas and electricity markets². This included recommendations in respect of the Domestic and Microbusiness Weak Customer Response AECs. In particular, the CMA recommended that the Authority establishes an ongoing programme to identify, test and implement measures to provide domestic customers with different or additional information with the aim of promoting engagement.

In addition, the CMA made a series of recommendations to the Authority to implement a programme that would involve rigorous testing and trialling to prompt engagement within the domestic and microbusiness sectors. This included:

- (i) the establishment of an ongoing programme to identify, test (through randomised controlled trials (RCTs), where appropriate) and implement measures to provide domestic customers with different or additional information with the aim of promoting engagement in the domestic retail energy markets; and
- (ii) monitoring the impact of these interventions with a view to maximising their effectiveness as regards improving engagement.

In response to the above recommendations and following the results³ of the previous Cheaper Markets Offer Letter (CMOL) trial, the Authority considered it appropriate to conduct another trial to test the impact of a CMOC on an average default tariff customer, as well as the impact of a follow-up reminder, the inclusion of a tariff from the incumbent suppliers, and sending the communication in accordance with each customer’s communication preference.

The Authority issued the CMOC Directions to require the Suppliers to identify within their customer base those customers eligible for the trial in accordance with the specification in the Direction. The Suppliers were required to randomly select, in accordance with the instructions provided by the Authority, a sample of the eligible population to form part of the trial, randomly allocate trial participants into trial arms and provide data and audit reports to Ofgem, in relation to the selection and allocation of customers into the trial arms.

¹ As required by s. 49A Electricity Act 1989 and s. 38A Gas Act 1986

² <https://assets.publishing.service.gov.uk/media/5773de34e5274a0da3000113/final-report-energy-market-investigation.pdf>

³ https://www.ofgem.gov.uk/system/files/docs/2017/11/cmol_report_slidepack_1.pdf

The Authority issued the Directions requiring Suppliers to provide specified information in accordance with SLC 32A to a third party agency with the intention of conducting qualitative telephone interviews with trial subjects from the CMOC trial. The relevant data was to be provided in the format specified in the schedule to the directions by such date as notified to the Suppliers in order to facilitate compliance with the CMOC Direction.

The Suppliers were selected in accordance with GEMA's published criteria⁴ to participate in the randomised control trial as described in the CMOC Directions and accompanying letter.

Yours faithfully



Neil Barnes

Deputy Director, Consumers and Markets

Signed on behalf of the Authority and authorised for that purpose.

⁴ https://www.ofgem.gov.uk/system/files/docs/2017/01/decision_selection_criteria_0.pdf.