

## 60-SECOND SUMMARY

Energy prices are once again in the news, with manifesto commitments and potential government action being considered as some energy suppliers raise their prices before winter. Some two thirds of consumers remain on a standard variable tariff, which can mean they are paying as much as £300 per annum more than they need too. Furthermore, while there are as many as 30 retail suppliers of gas and/or electricity supplying the market today<sup>1</sup>, surveys suggest over 30 per cent of respondents have never considered switching supplier, which would equate to some 9 million households across the UK.

Clearly there are missed opportunities for a great many households. To increase switching amongst these households, more must be done to improve consumer engagement in the market. The content and accessibility of energy bills has a critical role to play here. This report explores how well an energy bill engages, informs and supports customers in understanding their energy use and assessing whether they have the best deal for them and their household. It concludes that for many customers, energy bills are still

too confusing with too much jargon that is often difficult to engage with. And a comparison with UK consumer experiences of other similar bills, finds that many are felt to be simpler and more accessible than energy bills.

The report recommends a significant simplification of energy bills to improve consumer engagement. Working with our focus groups we have created two possible future bill formats that should make bills simpler, with a view to prompting more responsiveness from many of the un-engaged customers who do not switch.

The roll out of smart metering, creates an opportunity to go a step further. The report therefore argues that the majority of consumers would be best served by each company only offering a single tariff. Other consumer benefits would be realised by active independent use of energy use information (as captured by smart meters in aggregate), and by broader policy interventions to encourage 'pro-sumers'.

### EXECUTIVE SUMMARY

Rising energy bills over the last few years has led to a continued debate about the level of competition in a market dominated by six big

### RECOMMENDATIONS

**The report recommends a significant simplification of energy bills to improve consumer engagement.**

In the short term, if we want users to consume information on bills in a way that will prompt them to act, we need to change the design and information on the bill to make them jargon free and focused on key information.

This should be matched by support to help customers use the information to act through occasional and timely text alerts of better deals.

In the medium term, smart meter roll out provides a unique opportunity to go further by:

- legislating for a single tariff per supplier to allow energy companies to compete directly with each other on price, whilst providing a simple metric for consumers to compare different providers
- creating a consumer engagement arm of Ofgem to use the data provided by smart meters to personalise information and advice to consumers to encourage switching.

<sup>1</sup> <http://switch.which.co.uk/energy-suppliers/suppliers-atoz.html>

energy companies, a debate reignited by recent pre-winter price rises and promises to act in the 2017 general election manifestos of both major parties.

While some parts of the solution do lie with government action, consumers have a critical role to play in identifying and opting for the best deals in the market. This has led to increased focus on the level of consumer engagement and the extent to which greater switching can open up the market and put downward pressure on bills.

While switching levels have risen they are still relatively low, which is in part because many consumers still face a number of barriers to engaging and making informed decisions about whether and how to change supplier, and get a better deal. These barriers to engagement include:

- **those that affect how people can access information** – physical barriers such as lack of access to online information, a lack of awareness of options or a perception that all suppliers offer a poor deal
- **difficulties in accessing and understanding the information that is available** – confusing presentation, too much jargon or the multiplicity of options available

## SIMPLE ENERGY BILL – ALTERNATIVE DESIGN

YOUR MONTHLY STATEMENT

<b>DUE DATE: 30TH SEPTEMBER</b>	<b>Your tariff is:</b>
Bill holder name Address line 1 Address line 2 Postcode	13.20 pence/kWh for electricity 3.65 pence/kWh for gas kWh is the unit measuring how much energy you use + 48 pence/day maintenance costs
<b>Total bill to pay this month (1st August – 31st August):</b>	<b>Total bill paid last month (1st July – 31st July):</b>
<b>£110</b> £50 from gas, £60 from electricity £0 from last month's bill	<b>£105</b> £45 from gas, £60 from electricity £0 from last month's bill
<b>For information on how to pay, turn (click here) turn over</b>	

IMPORTANT NUMBERS

**Customer service:**  
07XXX222333

**Your account number:**  
4375 0243

EMERGENCY NUMBERS

**Gas leak:** 07XXX222333

**Power outage:** 07XXX222333

**Fire:** 999

Consumers with similar households in your area are spending:

£100

→

(£45 from gas, £55 electricity)

←

ADVICE FOR SAVING ENERGY

**Visit:**  
[www.energysavingtrust.org](http://www.energysavingtrust.org)

**Call:**  
07XXX222333

CAN YOU GET A BETTER DEAL?

**Visit:**  
[www.compare\\_energy\\_prices.com](http://www.compare_energy_prices.com)

**Or call your supplier on:**  
07XXX222333

- **barriers to action** – a lack of support in managing energy usage, a lack of confidence in making a switch or insufficient benefit to make a switch worth the ‘hassle’.

If the energy market is to address the wider issues of competitiveness, overcoming these barriers to customer engagement and action will be essential, and more radical measure may be required than have thus far been deployed. Given the bill is the first point

of contact for any form of consumer engagement with every customer that is where significant work needs to be done. IPPR’s focus group research and studies by others, including Ofgem, have found that many consumers still find the energy bill too confusing and hard to engage with. And a comparison with UK consumer experiences of other similar bills, finds that many are felt to be simpler and more accessible than energy bills.

## The progressive policy think tank

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**Institute for Public Policy Research**

IPPR, 14 Buckingham Street, London WC2N 6DF | [www.IPPR.org](http://www.IPPR.org) | [@IPPR](https://twitter.com/IPPR)

