



Domestic Marketing Code of Practice Update on Consultation

Prohibition of the use of Annual Bill or
Annual Cost for Quotations

July 2021



About the Utility Regulator

The Utility Regulator is the independent non-ministerial government department responsible for regulating Northern Ireland's electricity, gas, water and sewerage industries, to promote the short and long-term interests of consumers.

We are not a policy-making department of government, but we make sure that the energy and water utility industries in Northern Ireland are regulated and developed within ministerial policy as set out in our statutory duties.

We are governed by a Board of Directors and are accountable to the Northern Ireland Assembly through financial and annual reporting obligations.

We are based at Queens House in the centre of Belfast. The Chief Executive leads a management team of directors representing each of the key functional areas in the organisation: Corporate Affairs, Markets and Networks. The staff team includes economists, engineers, accountants, utility specialists, legal advisors and administration professionals.



Our mission

To protect the short- and long-term interests of consumers of electricity, gas and water.



Our vision

To ensure value and sustainability in energy and water.



Our values

- Be a best practice regulator: transparent, consistent, proportionate, accountable and targeted.
- Be professional – listening, explaining and acting with integrity.
- Be a collaborative, co-operative and learning team.
- Be motivated and empowered to make a difference.



Abstract

This paper provides an update to stakeholders following the consultation issued by the UR in January this year which sought stakeholder views on our review of the prohibition on the use of annual bill or annual costs quotations in the Domestic Marketing Code of Practice for Energy Suppliers.

Following discussion regarding the responses to the consultation the UR position is that there will be no immediate change to the current format of the Code, especially given the ongoing Department for the Economy energy strategy workstream which is taking place and may require a full Code review in due course. We are of the view that now is not the appropriate time to make any changes to the code. However we will review this again in the next 18-24 months once the outcomes of the strategy are finalised.

Audience

This document is most likely to be of interest to regulated supply companies in the energy industry, consumer organisations, government and other statutory bodies.

Consumer impact

This paper sets out the UR's position that there will be no immediate change to the current Domestic Marketing Code of Practice and as such there will be no change to the current customer experience.



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1. Introduction

About this Document

- 1.1 This paper provides an update to stakeholders following the UR consultation¹ paper issued in January 2021 on the proposal to allow the use of annual bill comparisons by suppliers when marketing or directly selling their tariffs to domestic customers. Currently, such actions by Suppliers or their agents would be prohibited.

Background

- 1.2 In January this year the UR published a consultation paper ‘Review of the Prohibition of the use of Annual Bill or Annual Cost for Quotations or Comparison in the Domestic Marketing Code of Practice’.
- 1.3 There is currently a mandatory supplier Marketing Code of Practice for Domestic Customers (“the marketing code” or “the code”) which has been in place for number of years. It prohibits the use of annual bill comparisons when suppliers or their agents are marketing to potential customers. The original rationale for this was in the context of the issues experienced in GB with mis-selling, whereby a number of suppliers/sales agents were using annual bill comparisons which exaggerated the potential savings a customer could make. As a result, some customers were switching supplier based on misleading information on the savings available from doing so, and being locked into poor value deals.
- 1.4 The competitive domestic market in NI was immature at the time of the code development and there were concerns that we could potentially experience the same consumer detriment issues in the NI market. Consequently the Code mandated the use of tariff unit rates only when marketing interactions took place with consumers, and specified the way in which these should be presented across all mediums of marketing (including doorstep sales).
- 1.5 The January UR consultation outlined a proposal to potentially remove the prohibition on annual bill comparisons that is currently in the marketing code, in the context that the market has developed with more complex tariffs now being offered.
- 1.6 Stakeholders were asked to outline their views on the potential removal of the annual bill/comparison prohibition.

¹ [Consultation published on changes to the Domestic Marketing Code of Practice | Utility Regulator \(uregni.gov.uk\)](https://www.ureg.gov.uk/consultation/changes-to-the-domestic-marketing-code-of-practice)



2. Consultation Feedback

- 2.1 In response to the January consultation, UR received a total of nine responses from stakeholders on whether the UR should proceed with the removal of the prohibition on the use of annual bill comparisons from the marketing code.

Overview of Stakeholder Feedback

- 2.2 The consultation responses indicated mixed opinions on the central proposal and on what the most appropriate way forward should be.
- 2.3 A number of respondents were fundamentally against the removal of the prohibition, and of the view that the marketing code in its current format is working well. It is worth noting that since the code became effective, and prior to the consultation being issued, no market participants raised an issue with the prohibition.
- 2.4 The consultation paper stated that the UR had been approached by Price Comparison Websites specifically requesting the end of the prohibition. A particular concern highlighted by respondents was that should the prohibition end there could be a potential increase of Price Comparison Website activity in the NI market.
- 2.5 In this context, the lack of a regulatory framework to take account of commercial Price Comparison Websites entering the market was highlighted. This was in the context of neighbouring jurisdictions having an accreditation process in place for this type of activity to ensure appropriate comparison website behaviour and governance. Without this, it could lead to a less positive customer experience and as such impact upon switching and competition.
- 2.6 The respondents who were in favour of the removal of the prohibition were of the view that it would simplify the process for the customer of comparing the various offers open to them.
- 2.7 Due to the mixed nature of the responses and the important matters under discussion, it was appropriate to ask for UR Board guidance on the way forward.



3. UR update in relation to the Domestic Marketing Code of Practice

- 3.1 As previously highlighted, the feedback received from stakeholders was mixed and as such we were of the view that it was appropriate to discuss the way forward with the UR Board.

Board Position

- 3.2 The background and issues were outlined to the Board, and the discussion was set in the context of the current environment in which the NI supply market is operating.
- 3.3 The energy market is undergoing significant change, which will only accelerate, as the energy sector transition to decarbonisation continues, and the DFE make clearer steps on the development and key aspects of the new energy Strategy for NI. It is likely that this changing market and strategic context will affect the experience of consumers in relation to their suppliers, switching, and more varied offers available from both existing and new suppliers and/or intermediaries.
- 3.4 However at this point, as regards the marketing/selling framework for energy to domestic customers, it is unclear what regulatory and consumer protection issues may need to be dealt with as a result of new energy policy/energy transition and new supply-consumer relationships that will emerge. Such entities as 'advisory' intermediary services may emerge as a result of the net zero agenda. There could be wider tariff variations in the future, with tariffs flexing more with underlying time of use etc. This raises questions about how/if these new dimensions will be regulated and where/if this would fit in with the current marketing code of Practice. The question becomes one which is much wider than simply whether annual comparisons should be permitted or not.
- 3.5 Further, as part of the energy transition work DFE are considering issues which will relate to what information customers will receive and how it is communicated to them.
- 3.6 Given the above context, we are of the view that it is appropriate to wait until the outcomes of the Strategy are clearer before making any changes to current Codes.
- 3.7 This UR view is reinforced by the fact that it is also apparent that there is no 'immediate' problem which needs resolved with the current code. Our



recent State of the Market Report² highlighted that the NI electricity switching rates are comparable with those of neighbouring jurisdictions of ROI and GB. In addition to this, the electricity supplier saturation rate in NI (number of suppliers per customer) is significantly higher than GB and comparable with ROI. There are limited consumer complaints on mis-selling and high levels of consumer satisfaction with the supplier switching process. This would suggest that the current Code is not impeding switching nor indeed a barrier to entry. The lower switching rates in the domestic gas market are due to other factors such as market size.

- 3.8 Given the above, it is the intention of the UR to leave the Marketing Code of Practice for Domestic Customers in its current format with the intention of reviewing this again in the next 18-24 months when the outcomes of the DFE Strategy work are clearer.

² [Review of the Northern Ireland Energy Retail Market | Utility Regulator \(ureg.gov.uk\)](https://www.ureg.gov.uk/review-of-the-northern-ireland-energy-retail-market)