Retail Choice in the UK
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Market Overview

Electricity distribution

Wholesale markets

Retail markets

Key
- Flow of money
- Vertically Integrated firm
- Wholesale markets
- Retail markets
Deregulation Milestones in UK

Retail choice

- Available to all customers starting 1999
- Retailers had wide latitude in offerings
  - Over 500 tariffs in market
  - Variety of payment choices
  - Door-to-door selling
- Metering provided as a competitive service
  - Customers had multiple choices
    - Meter
    - Meter operator
    - Meter data provider
  - Most consumers relied on retailer
  - Very few smart meters deployed
- Low customer engagement

Regulatory evolution

- **2008** universal smart meter rollout announced for:
  - Better energy usage feedback
  - Time-varying pricing options
  - Improved retailer switching

- **2012** Retail Market Review mandated:
  - Reduced tariff complexity
  - Default “evergreen tariff”
  - Standardized customer communications, bill comparisons, and bill formats
  - Regular updates on available tariffs
  - Prohibition on door-to-door selling

- **2016** Energy Market Investigation ordered:
  - Enhanced Price Comparison websites
  - Price cap for prepayment customers
  - Added protections for small businesses
UK Retail Choice

Consumer Choices

1. Retailer
   • Both electricity and gas
   • Market dominated by “Big Six”
   • Recent increase in number of retailers and their market share

2. Payment method
   • Standard credit, debit, prepayment

3. Tariff
   • Standard variable (default)
   • Fixed
   • Time-of-use

“36% of [consumers] either did not think it was possible or did not know if it was possible to change one or more of …tariff, payment method, and supplier.”
Market Indicators

Prices

Retailer Profits
Market Indicators

Customer Switching

### Number of Domestic Customers Switching Supplier by Fuel Type (GB)

- **Total Electric Switches**
- **Total Gas Switches**
- **Switches to Small and Medium Sized Electricity Suppliers**
- **Switches to Small and Medium Sized Gas Suppliers**
- **Fast Gains for Small and Medium Sized Electricity Suppliers**
- **Fast Gains for Small and Medium Sized Gas Suppliers**

Source: Ofgem analysis of data from electricity distribution network operators (DNOs), across and the six large suppliers before 2016. Information correct as of September 2017.

### Energy Customers Satisfied or Very Satisfied with their Supplier’s Services (GB)

- **Electricity**
- **Gas**
- **Electricity New Methodology**
- **Gas New Methodology**

Learnings

Successes
• Many choices
• Growing participation by innovative market entrants
• Cost management

Challenges
• Complexity
• Bill and rate comparisons
• No data access standards
• Lack of consumer enthusiasm
Thank you!

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