



Submission to the Commission for Regulation of Utilities on Incentivising the Uptake of Time of Use Tariffs

30 August 2023



Coimisiún um
Iomaíocht agus
Cosaint Tomhaltóirí

Competition and
Consumer Protection
Commission

Introduction

The Competition and Consumer Protection Commission ('CCPC') welcomes the opportunity to respond to the Commission for Regulation of Utilities ('CRU') consultation on incentivising the uptake of Time-of-Use (ToU) tariffs. The CCPC has a statutory function under Section 10(3)(a) of the Competition and Consumer Protection Act 2014 to provide advice to policymakers on matters likely to impact on consumer protection and welfare, or competition and the CCPC's submission reflects this mandate.

The energy markets are changing to meet the targets of the energy transition. The electricity markets have an increased emphasis on reduced energy use and ongoing efforts to encourage consumers to use smart meters to adjust their usage in line with fluctuations in generation cost. These developments have led to greater choice, but also greater complexity in terms of price plans and tariffs available to consumers. It is therefore important to identify any tools and incentives which may facilitate consumer choice and encourage their engagement and participation with new energy products.

The CCPC provide its views on the CRU's proposed measures below regarding price comparison websites (PCW), the use of the Estimated Annual Bill and the number of ToU tariffs.

Price Comparison Websites

The CCPC notes the CRU's proposal to amend the PCW accreditation framework to allow consumers to upload their smart meter data to encourage and help consumers choose a ToU tariff. The proposal is in line with the Economic and Social Research Institute (ESRI) recommendation that "efforts to improve the user-friendliness of personalisation tools for consumers, perhaps through automation using their real usage data from smart meters, could improve the quality of choices for more consumers"¹. The CCPC notes that

¹ [Smart choices? An experimental study of smart meters and time-of-use tariffs in Ireland \(esri.ie\)](https://www.esri.ie/publications/Smart%20choices%20-%20An%20experimental%20study%20of%20smart%20meters%20and%20time-of-use%20tariffs%20in%20Ireland) The Study investigated consumer choice in electricity markets with time-of-use tariffs. The study's findings suggested that consumers have a general aversion to time-of-use tariffs which led them to make suboptimal choices between tariff types. However, the study also found that when participants chose between different priced time-of-use tariffs via an experimental price comparison site, decisions were significantly improved by a tool that personalised estimated costs.

the European Consumer Organisation (BEUC) has also stated that, where possible, consumers should be able to share data on their energy consumption recorded by their smart meter with comparison tools². The CCPC welcomes this proposal which should provide a basis for consumers to be empowered to make accurate comparisons of offers based on their real energy usage.

The consultation paper proposes that an amended accreditation framework would require PCWs to clearly present a message alerting consumers that sharing less than one year of data may result in comparisons which do not fully reflect a consumers' consumption. The CCPC notes that the CRU proposes that there would be no minimum time limit applied to the data shared by consumers but that data of less than a year would prompt the warning message. This appears to be in line with the current approach provided in the CRU accreditation framework which sets out that a warning message must alert the consumer about early termination fees if the offers compared for less than 12 months. In addition, it may be valuable to alert consumers that changes in their consumption patterns can affect the comparison results. This is particularly so in light of the objective of ToU Tariffs to encourage consumers to alter their consumption patterns to reduce demand at peak times.

Further to this the CCPC notes that the consultation paper seeks views on whether PCWs should ask consumers additional questions to identify their consumption behaviour, and tailor price comparisons (e.g. whether a consumer has an Electric Vehicle). In 2020, the ESRI recommended that future research could incorporate the role of anticipated behaviour change into the tariff choice decisions of consumers. In field studies, the accuracy of consumers' predictions of their own future behaviour change could be measured. The ESRI indicated that if evidence of a gap between the express intentions of consumers and their subsequent behaviour is found, whether for overall usage or for shifting usage to cheaper times of the day, then reconciling this could be a fundamental policy issue in promoting the long-term success of ToU Tariffs.

The CCPC agrees that consumers will be best enabled to make meaningful comparisons when the nature of their electricity demand is more fully integrated into those comparisons. The consultation paper notes that there is a risk of inconsistency between

² [beuc-x-2022-014_position_paper_on_energy_comparison_tools.pdf](#)

PCWs of the questions asked of consumers. The CCPC agrees that the amended accreditation framework should include a standardised set of questions to aid comparisons. Such questions might cover topics such as use of electric vehicles or electricity-based heating systems (e.g. heat pumps)³.

Estimated Annual Bill for Time-of-Use Tariffs

The CCPC notes the approach proposed by the CRU to extend the Estimated Annual Bill (EAB) to all tariffs available on the market, including ToU Tariffs that are currently not covered by it. Energy products can be complex and difficult for consumers to compare and the EAB is a tool by which such comparison might be aided. The CCPC notes that comparison of ToU Tariffs can also be supported by how the information is represented to consumers⁴. It can be expected that consumers will not recall all features of a tariff but they can be assisted in understanding the salient features. Employing a guide to the annual cost to a consumer is a key means by which to choose between tariff offers. As such the CCPC supports an approach which will facilitate comparison for consumers, including the Standard Smart Tariff with other ToU Tariffs.

The CCPC notes the three options provided in the consultation paper for calculating the EAB for ToU Tariffs and the CRU's preference to adopt the 'demand weighted approach'. The CCPC agrees with the CRU that it is imperative that consumers are made aware that the EAB is intended as a tool to compare tariff offerings, using average consumption data. The EAB can therefore complement comparisons made using accurate real consumption data. To that end the CCPC notes the CRU view that when consumers are able to upload their smart meter consumption data to PCWs, they are likely to be less reliant on generic EAB calculations and it is expected that this may mitigate the impact of potential

³ The CCPC notes in this regard "Smarter Tariffs - Smarter Comparisons" a report prepared for the Department of Business, Energy and Industrial Strategy in the United Kingdom (UK). The report found that the available savings when comparing smart tariffs "are much larger when storage and automation technologies for electric vehicles and heating are brought into play". In addition, the report found that "smarter comparisons can also show consumers the large savings available by switching from an internal combustion engine to an electric vehicle with EV-tariff". The report is available here: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1130644/smarter_tariffs_smarter_comparisons_final_report.pdf

⁴ An ESRI study in 2021 commissioned by the CRU found that consumer comprehension of ToU Tariffs can be aided through presentation in a table format and that consumers choices can be influenced by how decisions are framed (e.g. emphasising both environmental and monetary benefits). See here: https://www.esri.ie/system/files/publications/WP704_0.pdf

shortcomings in EAB methodology. It is suggested that the CRU keep the methodology under review and factor in the extent of real time data being used for comparison purposes.

Limitation on the number of time-of-use tariffs

According to the CRU website, there are currently 15 gas and electricity providers licensed to supply to residential and/or business consumers in Ireland⁵. Consumers have the choice between many different plans for gas and electricity services. For example, dual energy consumers (as of December 2022) have a choice of 36 plans across the top 5 providers by market share. These options include plans with smart, standard and night saver meters, but do not include the numerous plans that are available for electricity and single gas plans separately. Each of these products may apply standing charges, unit rates and discounts and this can make it challenging for consumers to compare.

Since February 2021, consumers with a smart meter have been able to avail of smart time of use tariffs. However, as of April 2023, only 7% of consumers with a smart meter avail of a time of use tariff⁶. The CCPC acknowledges the CRU argument that an increase in the number of tariffs available would enable suppliers to offer a wider range of tariffs suited for particular consumer groups, which could increase interest and participation in time of use tariffs in general. However, the CCPC is concerned that this may not be the case and that the added complexity of additional tariffs may instead lead to greater confusion and consumer disengagement instead⁷. Simplification may be preferable to facilitate the uptake of such tariffs.

Studies have shown that there is a limit regarding how much information consumers can process when making decisions. An “overload” of information or choices can inhibit their ability to make decisions instead of facilitating their decision-making⁸. Choice or information overload can contribute to consumers having a negative view of shopping

⁵ <https://www.cru.ie/consumer-information/switch-supplier/energy-suppliers-in-ireland/>

⁶ [Energy Demand Strategy | CRU.ie](#)

⁷ Increased choice complexity can reduce decision quality and lead some to avoid choosing altogether ([Mogilner et al., 2008](#), [Dowding and John, 2009](#)).

⁸, H. and Krishen, A.S. (2019) ‘When is enough, enough? Investigating product reviews and information overload from a consumer empowerment perspective’, *Journal of Business Research*, 100, pp.27-37.

around or switching as they may perceive it to be too “time consuming or difficult to search”⁹. The CRU notes the potential for information overload in the consultation paper but takes the view that the uniformity of the Standard Smart Tariff will mean that there is one consistent ToU Tariff which may act as an ‘entry-point’ for consumers. The CRU expresses the view that the uniformity of the Standard Smart Tariff alleviates concerns around the complexity of smart tariff offers.

The CCPC notes that suppliers are not currently required to identify the Smart Standard Tariff in a uniform way for the purpose of comparison, although the tariff itself is to be structured in a standardised manner. In order to maximise the benefit of an ‘entry-point’ tariff the CRU may wish to consider amending the Electricity and Gas Suppliers’ Handbook to require suppliers to identify their Standard Smart Tariff in a standardised way. In addition, suppliers should be required by the Electricity and Gas Suppliers’ Handbook to present certain information in a standardised format to assist consumer comparison. For example, smart meters can be classified as either ‘urban’ or ‘rural’ smart meters, however some offers in the market use variety of terminology in regard to smart meter types. Suppliers should be obliged to describe information on the standing charges as applicable to these two types of smart meter only to avoid confusion when comparing standing charges.

As noted above, consumer savings from switching to a smart tariff are larger when they use storage or automation technology for electric vehicles or heating. The CRU may wish to consider developments in the markets for such technologies when deciding on removing the limit on the number of ToU Tariffs. This would help to ensure that the tariff offerings are tailored to the needs of consumers and can be targeted to a larger group of consumers with more specific requirements.

Additional Comments

In order for the full benefits of competition to be realised, consumers need to be supported in being active participants in markets when researching their options and

⁹ Competition & Markets Authority (2018) *Tackling the Loyalty Penalty: Response to a Super-Complaint Made By Citizens Advice on 28 September 2018*. Available at: https://assets.publishing.service.gov.uk/media/5c194665e5274a4685bfba/response_to_super_complaint_pdf.pdf.

availing of better deals through switching. The CCPC believes that encouraging consumers to be active participants in the energy market may lead to greater engagement with smart meter tariffs. However, the CCPC notes that some consumers find participating in markets more challenging. These include older consumers, those with lower educational attainment and those less digitally literate who are disproportionately represented amongst non-switchers¹⁰. The CCPC recommends that the CRU should reflect on how these consumers could be engaged with to ensure that they can also benefit from the adoption of smart meters and ToU Tariffs.

ENDS

¹⁰ These issues are explored in more detail in forthcoming CCPC research.

