

# The Consumer and the Retailer

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## Consumers and retail energy markets

- (Dis) engagement in the market
- Role of potential gains
- Vulnerable consumers in energy markets
- Potential policies

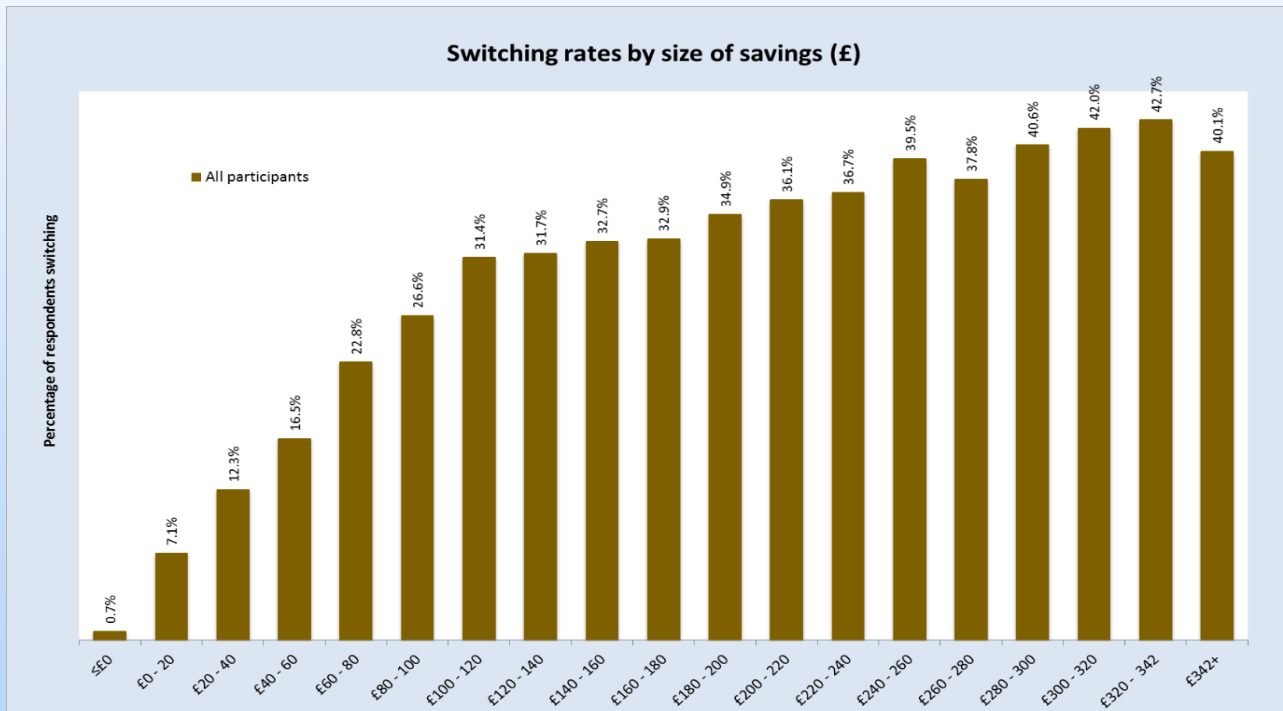
## (Dis) engagement

Competitive retail energy market based on consumers responding to lower prices, pressure on companies to be more efficient and offer better deals, but switching rates much lower than might expect for homogeneous product

- Does this challenge the model?
- Do (some) consumers need additional protection?
- Should consumers be encouraged to be more active?
- If so, which consumers, and how?

What more information is needed?

## Expected Gains important driver –enough?



In collective **opt-in** auction, 2012, switching rates rise with savings offered

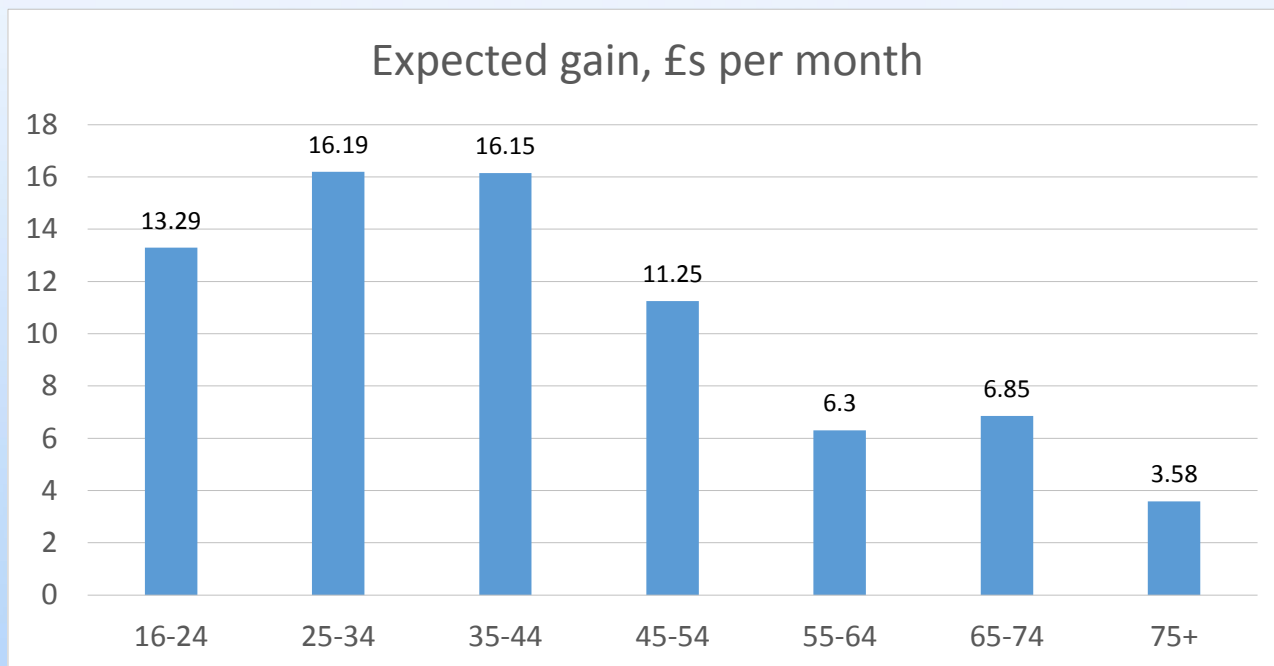
But level off at < 45%

## Some consumer groups switch less (CMA)

- older people: partly explained by lower expectations
- on lower incomes
- with lower educational qualifications
- in rented accommodation
- disabled people
- on register as needing special help in case of interruption to supply
- in Scotland or in rural areas

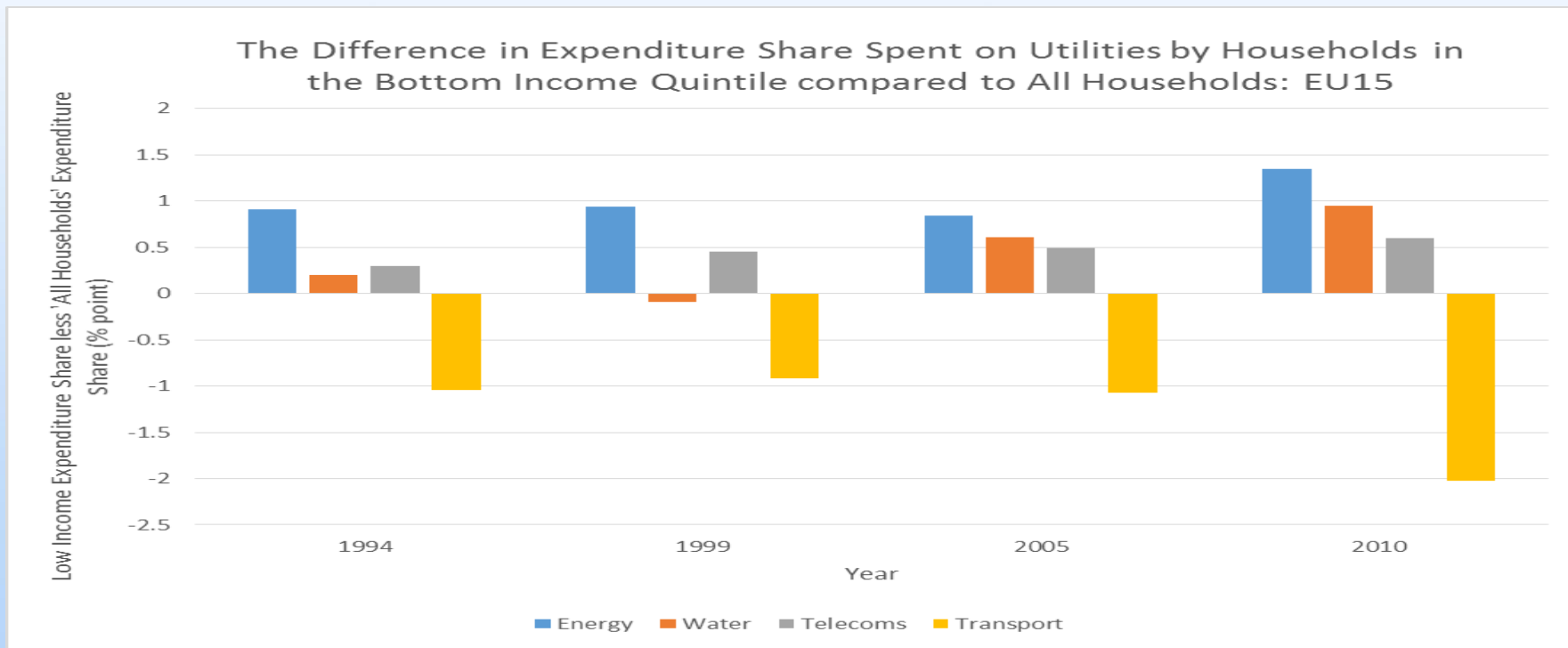
Are they vulnerable? Or are others? In need of special help?

## Older people expect less



From 2011  
CCP survey

## Affordability: disparities from CERRE research



## Potential policies

New technology: - Smart meters to inform about consumption, stimulate interest?

- price comparison web sites; new regulatory issues
  - Agents who will switch, eg Flipper
  - Who? - Almost active? Easiest to change
    - May decrease price responsiveness of both active and inactive groups
    - Or least active - most expensive to shift (but some more in need?)
    - Different effects on market overall and who gains most (financially)
  - Protection? Opt out collective switching? (Re)regulation?
- Are the consumers at fault? or the model? What further information needed?