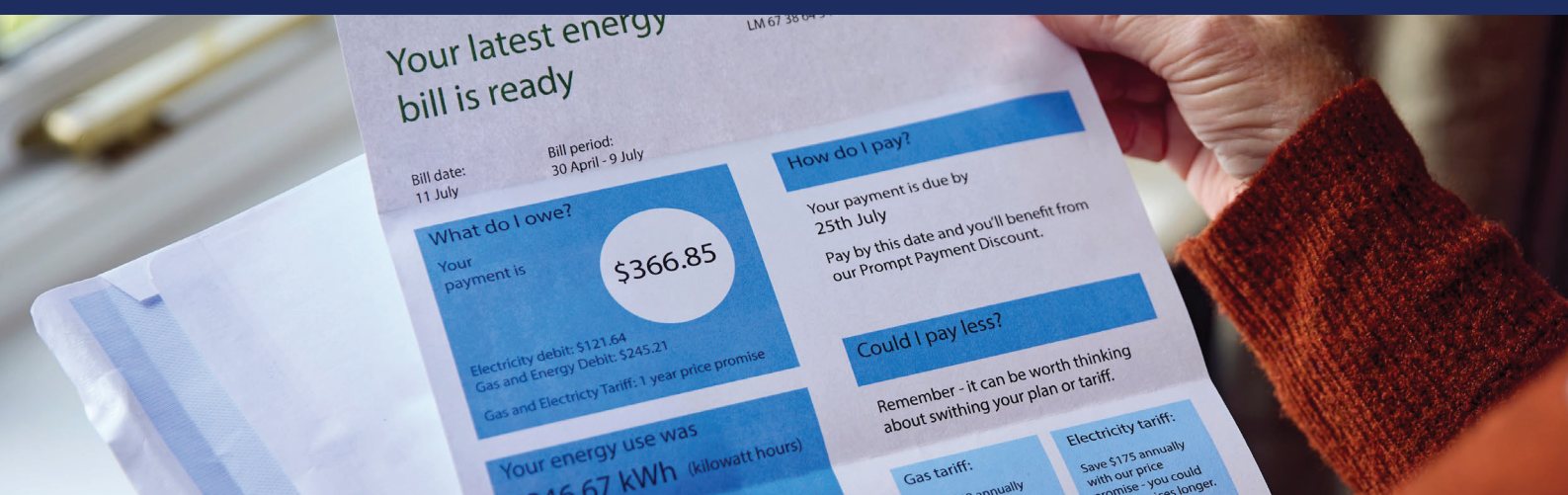


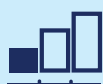
# Better consumer communication through regulatory experimentation

## Improving energy debt communications – Office of Gas and Electricity Markets



Level:

Easy



Industry:

Energy



Location:

UK



## Overview

Times of financial stress pose significant challenges for households. For households struggling to pay their energy bills, the tone of communications from energy suppliers could impact their willingness to engage and manage their debt effectively.

The Office of Gas and Electricity Markets (Ofgem) conducted an experiment to assess how the tone of debt communications impacted consumers' ability to understand, as well as their willingness to engage with energy suppliers.

## Key finding

Harsh debt communications resulted in poorer comprehension and reduced desire to contact an energy supplier compared to friendlier communications.

## Outcome 1

Informed cross-sector regulatory statements on debt communications.

## Outcome 2

Supported work and inspired further research by debt advice charities.

## Evaluation method

Randomised control trial.

## Background



**The Office of Gas and Electricity Markets (Ofgem) wanted to understand how the content and tone of energy debt communications were perceived by energy consumers.**

Ofgem is responsible for safeguarding the interests of energy consumers in Great Britain. The COVID-19 pandemic and rising energy prices had left many families with increasing debt and unable to pay their energy bills, some for the first time. Ofgem was concerned that the communications energy companies were sending to families about their debt were overly harsh and ineffective. Ofgem wanted to investigate how the content and tone of initial debt communications from energy suppliers were affecting consumers' willingness to engage with them and effectively manage their debt.

## Intervention and outcome



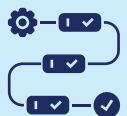
**Debt communications that were harsh in tone resulted in worse comprehension and poorer attitudes compared to friendly-toned communications.**

Ofgem conducted a two-phased research project. In the first phase, one-on-one interviews with 30 domestic energy consumers (including vulnerable individuals) were conducted over three waves to refine debt communications. The second phase was designed to quantify customers' intended behaviours and attitudes in response to different versions of debt communications, simulating a real-life scenario.

To achieve this, an online behavioural experiment was designed for a demographically representative sample of over 1,500 Great Britain domestic energy customers. Participants were randomly assigned to read one of four debt communications before answering questions about their intentions to act, emotional reactions and comprehension of key information.

Ofgem found that communications with a harsh tone (as described by participants) reduced the likelihood of a participant wanting to contact a hypothetical energy company compared to those with a friendly tone. Harsh communications also resulted in worse comprehension of key information and were less likely to be read in full. This project inspired debt research charities to conduct further research. Moreover, it provided a strong evidence base for regulators to make shared statements on debt communications in the UK Regulators Network Cost of Living Working Group letter.

## Key steps for successful experiments



### ✓ Build internal research capability.

Ofgem have an internal research unit which enabled them to design, program and conduct the research project entirely in-house. This approach was not only more cost effective but also significantly expedited the project and ensured high-quality, tailored research.

**Consider building internal research capability to streamline and enhance experimentation.**

### ✓ Combine different research methods.

Combining different research methods involves using both qualitative (exploratory, non-numerical data) and quantitative (structured, numeric data) approaches. Ofgem leveraged insights from their qualitative research (the interviews) to inform and optimise the design of their quantitative research (the online experiment).

**Consider using both a qualitative and quantitative research approach to enrich your project.**

## Managing risks

Ofgem was initially concerned about the risks associated with handling personal data directly (in-house) for data analysis and storage. The project team addressed these concerns by conducting a Data Protection Assessment and committing to deleting data within three months.

A Data Protection Impact Assessment is a process that evaluates how personal data is collected, stored and used to ensure compliance with data protection laws and regulations.

Want more regulatory experimentation resources?  
Go to [productivity.nsw.gov.au/regulatory-policy](https://productivity.nsw.gov.au/regulatory-policy)

Want help designing your own experiment?  
Go to [productivity.nsw.gov.au/contact-us](https://productivity.nsw.gov.au/contact-us)