When is an intervention good enough to implement? Using treatment effects, cost-effectiveness and policy expertise to determine when an intervention should be scaled up

Randomised Controlled Trials in the Social Sciences 13th Annual Conference, University of York, 5-7 September 2018.
2013

A simpler, clearer, and fairer energy market for consumers

2016

Energy customers 'paying too much'

7 July 2015

Millions of energy customers have been "paying too much for their energy bills", a year-long investigation by the Competition and Markets Authority (CMA) has found.
“our concern with these provisions is that they were not subject to adequate testing prior to (or after) their introduction”
2016-2018

- Established Behavioural Insights Unit with staff with expertise in trialling and behavioural science
- Established a dedicated ‘prompts’ to engage policy team (now ‘consumer engagement’ team)
- Together: run 7 major randomised control trials covering
  - 1 million customers (approx. 4% of population of interest)
  - 6 energy suppliers
“when can we stop trialalling?”
(1) The Method of our 7 trials (Results for 2)
(2) How each trial is linked to the bigger question of when is there enough evidence?
(3) Discussion
"when it’s likely to generalise"
**Trial 1: a ‘cheaper market offer’ letter**

**N** = 150,000 across 2 suppliers  
**Design:** 3 trial arms  
**Participants:** standard variable tariff customers, excluding a range of customers e.g. in debt

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**Example of an ‘Ofgem’ branded letter**
Trials 2-6: a cheaper market offers ‘communication’

Design

• Defined the target population: customers of suppliers with a SVT population that accounts for at least 20% of total customer base (greatest detriment)

• 10 suppliers fitted this criteria – algorithmically identified best combination of 5 suppliers

• Designed trials that would be highly powered without being disproportionate on large vs mid-tier suppliers

• **Includes previously excluded groups, including customers in debt and those on pre-payment meters**
Large suppliers:
• 2x4 factorial + control

Mid-tier supplier (1):
• 2x2 factorial + control, relying on pooling (2 for the ‘price’ of one)

Mid-tier supplier (2):
• 2x2 factorial + control, relying on pairwise comparisons with control only
Trial period: July-August 2018

Vulnerable customers to pay more for energy after Ofgem allows higher tariffs

Customers on ‘safeguard tariffs’ can now be charged £47 a year more after rise in wholesale energy costs

Energy price cap is likely to go ahead after last-minute deal

Cap will come into effect this winter unless one of the big six firms issues legal challenge
When is there enough evidence?

“when the consumer benefits outweigh the supplier’s costs”

## Trial 1: consumer benefits

<table>
<thead>
<tr>
<th>Trial Arm</th>
<th>n (all switches)</th>
<th>Mean savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Control</td>
<td>361</td>
<td>£165</td>
</tr>
<tr>
<td>Ofgem</td>
<td>913</td>
<td>£213</td>
</tr>
<tr>
<td>Supplier</td>
<td>1335</td>
<td>£216</td>
</tr>
</tbody>
</table>

Collecting data from suppliers on costs of administering treatment across all five suppliers in trials 2-6 (results due in October 2018)
When is there enough evidence?

“when it’s better than the alternatives”
A possible alternative: collective switching

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Energy Projects Plus
Halton Borough Council
Knowsley Council
Liverpool City Council
Sefton Council
St. Helens Council
Viridis
Wirral
Sample of eligible customers
N= 55,000

Control
N=5,000

Ofgem branded
N=25,000

Supplier branded
N=25,000

Outcome measures: internal switching, loss notifications
Most successful money-saving tactic tried yet - as thousands get £300 off bills each

The best way to get people moving to cheaper energy deals is for them to club together, according to a new trial.
Discussion: trialling only gets you so far

Standard external validity concerns
• The policy landscape is always changing e.g. price cap

Existential external validity concerns
• Energy sector set to change drastically but testing the future is really hard

Opportunity costs
• Untested but potentially more successful interventions

What is the best course of action?
• Optimise – keep on trialling to find the best intervention?
  • Ethics of ‘withholding’ effective treatments?
  • ‘Satisfice’ – implement the best options discovered so far (collective switching)?
    • Implement all the cost-beneficial interventions? (that’s all of them)
    • Opportunity costs (we can’t resource everything)
  • Implement cost-beneficial solutions favoured by Ministers (electorate)?
    • Does it matter if this conflicts with evidence?
  • Is there wider demand, beyond energy, for a framework that would enable a systematic approach to navigating these questions?
Our core purpose is to ensure that all consumers can get good value and service from the energy market. In support of this we favour market solutions where practical, incentive regulation for monopolies and an approach that seeks to enable innovation and beneficial change whilst protecting consumers.

We will ensure that Ofgem will operate as an efficient organisation, driven by skilled and empowered staff, that will act quickly, predictably and effectively in the consumer interest, based on independent and transparent insight into consumers’ experiences and the operation of energy systems and markets.