



Secretary of State, Consumers
and their representatives, gas
suppliers, electricity suppliers,
and other interested parties

*Promoting choice and
value for all customers*

Direct Dial: 020 7901 7200
Email: maxine.frerk@ofgem.gov.uk

Date: 30 May 2008

Dear Colleague

Consultation on Modification to Standard Licence conditions – replacement of the Consumer Council’s (energywatch) details on domestic customer bills

Section 30 of the Consumers, Estate Agents and Redress Act 2007 (CEAR Act) provides for the abolishment of the Gas and Electricity Consumer Council (energywatch).

On 25 February 2008 Ofgem published an open letter¹ setting out the proposed licence changes which would replace current references to energywatch in licences with references to the NCC; sought views on changes in relation to industry code governance; and sought comments as to which organisation’s details should replace energywatch’s on domestic customers’ bills.

This letter deals with the question of the replacement of energywatch’s details on bills to enable licensees to prepare their stationery in advance of the new consumer arrangements coming into effect, which is due to happen on 1 October 2008. The other amendments will be made at a later stage.

Background

Standard Licence Condition (“SLC”) 31.1(a) and (b) of the gas and electricity supply licences, require suppliers to inform domestic customers on or with each bill or statement of account that energywatch can assist in resolving complaints that the licensee has not resolved to the customer’s satisfaction, and how to contact energywatch.

This letter summarises the responses to our request for comments and sets out our proposal for consultation on the necessary licence changes.

Summary of responses

Ofgem received 12 responses on this issue. Non-confidential responses have been placed on the Ofgem website.

There was overwhelming support for a requirement for Consumer Direct’s details to be put on the back of domestic customers’ bills. Some respondents suggested that this information be replicated on other supplier literature. It was noted that Consumer Direct’s role was different to energywatch’s role and the current licence wording would need to be changed to reflect this difference.

¹ Changes in consumer representation – licence conditions and industry codes. Ref 16/08

Many noted that the Energy Ombudsman's (EO) details were already on customers' bills. One respondent considered that there should be a level of prescription in how the EO's role is described. Some suppliers asked that a decision on the organisation that should go on bills be made quickly to enable the necessary changes to billing stationery to be made.

Ofgem view

Under the new arrangements for consumer representation Consumer Direct will have a key role in providing information, advice and signposting consumers to regulated providers. We recognised the importance of this function in the draft Gas and Electricity (Consumer Complaints Handling Standards) Regulations 2008 ("Complaints Handling Standards Regulations") which we recently consulted on. Those draft regulations contained a requirement for suppliers to agree and put in place appropriate arrangements with Consumer Direct for dealing with consumer referrals. In view of this and the large measure of support from respondents, we propose that energywatch's details on the back of domestic customers' bills be replaced by Consumer Direct's details from the date upon which energywatch is abolished, which we currently anticipate will be 1 October 2008.

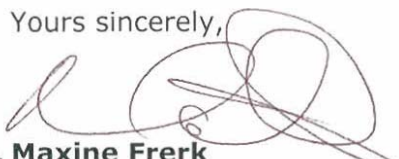
We recognise that Consumer Direct's role to provide information and advice is not the same as the role performed by energywatch and the wording of the modified licence condition should reflect this. However, we do not intend to prescribe the exact wording or its position on suppliers' bills; this is a matter that suppliers should decide in conjunction with Consumer Direct. Similarly, we would expect suppliers to agree with Consumer Direct their preferred method(s) of contact with consumers and reflect this on the bills.

In our open letter we noted that domestic suppliers had already voluntarily included the EO's details on the back of domestic customers' bills. We expect suppliers to continue to do so. We intend that the Complaints Handling Standards Regulations, once made, should strengthen the requirements on signposting (information about redress must be included in the supplier's complaints procedure, and consumers must be signposted to the redress scheme if the regulated provider becomes aware that the complaint cannot be resolved and when the time period for handling the complaint expires). Therefore, we do not consider it necessary to include a requirement in the licence to provide the ombudsman's details on customers' bills.

Next steps

The statutory notices detailing the modifications that Ofgem is proposing to make to the electricity supply and gas supply SLCs under section 8(5) of the Utilities Act 2000 (as amended by the CEAR Act) are attached as appendices to this letter. Responses to this consultation should be received by 27 June 2008².

Yours sincerely,



Maxine Frerk
Director Governance Consumer and Social Affairs

² If the proposed modifications may proceed, they will take effect on the date that energywatch will be abolished. This is currently anticipated to be 1 October 2008.

Appendix 1

NOTICE CONCERNING THE PROPOSED MODIFICATION OF THE STANDARD LICENCE CONDITIONS OF ELECTRICITY SUPPLY LICENCES UNDER SECTION 8(5) OF THE UTILITIES ACT 2000¹

The Gas and Electricity Markets Authority ("the Authority") is proposing to exercise its powers under section 8(5) of the Utilities Act 2000 to make modifications to the standard licence conditions ("SLCs") of the Electricity Supply Licence ("the proposed modifications"). The Authority considers the proposed modifications are incidental or consequential modifications which are necessary or expedient in consequence of or in preparation for (1) the establishment of the National Consumer Council (as provided for in the Consumers, Estate Agents and Redress Act 2007) or (2) the abolition of the Gas and Electricity Consumer Council ("energywatch") (as provided for in the Consumers, Estate Agents and Redress Act 2007).

This notice sets out the proposed modifications and gives notice of a period of consultation on the proposed modifications with electricity supply licence holders in accordance with section 8(6) of the Utilities Act 2000 and with other interested parties.

Proposed modifications

1. The Authority proposes to add a new definition, of the term "Consumer Direct", to SLC 1 (Definitions for standard conditions).
2. The Authority proposes to modify SLC 31 (General information for Domestic Customers) by deleting references to the Consumer Council², replacing them with references to Consumer Direct throughout condition 31.1, and by deleting the words "resolving complaints that the licensee has not resolved to the Domestic Customer's satisfaction" and inserting "providing information and advice to Domestic Customers" in condition 31.1(a).
3. The Authority proposes that these modifications will have effect from the date upon which energywatch is abolished, which it is currently anticipated will be 1 October 2008.

Reasons

4. The Authority is proposing the modifications referred to at paragraph 1 and 2 above and set out in Schedules 1 and 2 respectively of this notice because it is expected that energywatch will be abolished from 1 October 2008. Under the new arrangements for consumer representation set out in the CEAR Act 2007 Consumer Direct will have a key role in providing information, advice and signposting consumers (see further - 'Changes in consumer representation - licence conditions and industry codes'. Ref 16/08).

¹ References are to the Utilities Act as amended as at the date of this notice, including by the Consumers, Estate Agents and Redress Act 2007

² Defined in SLC 1 as meaning 'the Gas and Electricity Consumer Council established under section 2 of the Utilities Act 2000', and commonly referred to as energywatch.

5. As we anticipate that the changes to consumer representation will take effect on and from 1 October 2008, we are not proposing to give effect to the proposed licence modifications set out in this notice until then. However, we are informing licensees in advance of this date to provide them with adequate time to reflect the necessary changes in their stationery before the modified condition has effect.

Effect

6. The effect of the proposed modifications is as follows:
 - i. The definition of Consumer Direct is to be added to SLC 1 (Definitions for standard conditions).
 - ii. SLC 31.1 (Information about Consumer Council) is to be amended. References to Consumer Council are to be deleted and replaced with references to Consumer Direct. The effect of the proposed modifications to this condition is that the licensee must inform its domestic customers on or with each bill or statement of account that Consumer Direct can assist in providing information and advice to the domestic customer. Licensees will no longer be obliged to inform domestic customers on or with each bill or statement of account that the Consumer Council can assist in resolving complaints that the licensee has not resolved to the domestic customer's satisfaction.
7. A copy of the proposed SLC modifications referred to in this notice is available (free of charge) from the Ofgem Research and Information Centre ("RIC") (Tel: 0207 901 7003) or the Ofgem website at www.ofgem.gov.uk
8. Subject to representations received in the course of the consultation and the date upon which energywatch is abolished, it is our current intention that the proposed modifications are to have effect on and from 1 October 2008.
9. Any representations about the proposed modifications must be made before close of business on 27 June 2008 and should be addressed to:

Marcus Clements
Ofgem
9 Millbank
London SW1P 3GE
Or by email to: Marcus.clements@ofgem.gov.uk
10. All responses will normally be published on Ofgem's website and held in the RIC. However, if respondents do not wish their response (or any part of it) to be made public they should clearly mark their reply (or a relevant part of it) as confidential and not for publication. Ofgem would also prefer that non-confidential responses are sent electronically so that they can be placed on the Ofgem website.

If you wish to discuss any aspect of this notice, Marcus Clements 0207 901 7200 would be pleased to help.

A handwritten signature in black ink, appearing to read "pp Maxine Frerk". The signature is written in a cursive style with a large initial "pp".

Maxine Frerk, Director, Corporate Affairs

Duly authorised on behalf of the Authority

30 May 2008

Appendix 1 - schedule 1

Proposed modification to Standard Licence Condition 1 of the Electricity Supply licence

1. It is proposed that Standard Licence Condition 1 (Definitions for standard conditions) of the Electricity Supply Licence is amended as set out in paragraph 2 below.

2. After the definition of Consumer Council, insert:

“ Consumer Direct means the body of that name which is funded by the Office of Fair Trading to provide a consumer advice helpline; ”

Appendix 1 - schedule 2

Proposed modification to Standard Licence Condition 31 of the Electricity Supply licence

1. It is proposed that Standard Licence Condition 31 (General information for Domestic Customers) of the Electricity Supply Licence is amended as set out in paragraphs 2 to 4 below.
2. Substitute 'Consumer Council' with 'Consumer Direct' in the heading of paragraph 31.1.
3. Substitute 'the Consumer Council' with 'Consumer Direct' in 31.1(a).
4. Delete 'resolving complaints that the licensee has not resolved to the Domestic Customer's satisfaction' and insert 'providing information and advice to Domestic Customers' in 31.1(a).

Appendix 2

NOTICE CONCERNING THE PROPOSED MODIFICATION OF THE STANDARD LICENCE CONDITIONS OF GAS SUPPLY LICENCES UNDER SECTION 8(5) OF THE UTILITIES ACT 2000¹

The Gas and Electricity Markets Authority ("the Authority") is proposing to exercise its powers under section 8(5) of the Utilities Act 2000 to make modifications to the standard licence conditions ("SLCs") of the Gas Supply Licence ("the proposed modifications"). The Authority considers the proposed modifications are incidental or consequential modifications which are necessary or expedient in consequence of or in preparation for (1) the establishment of the National Consumer Council (as provided for in the Consumers, Estate Agents and Redress Act 2007) or (2) the abolition of the Gas and Electricity Consumer Council ("energywatch") (as provided for in the Consumers, Estate Agents and Redress Act 2007).

This notice sets out the proposed modifications and gives notice of a period of consultation on the proposed modifications with gas supply licence holders in accordance with section 8(6) of the Utilities Act 2000 and with other interested parties.

Proposed modifications

1. The Authority proposes to add a new definition, of the term "Consumer Direct", to SLC 1 (Definitions for standard conditions).
2. The Authority proposes to modify SLC 31 (General information for Domestic Customers) by deleting references to the Consumer Council², replacing them with references to Consumer Direct throughout condition 31.1, and by deleting the words "resolving complaints that the licensee has not resolved to the Domestic Customer's satisfaction" and inserting "providing information and advice to Domestic Customers" in condition 31.1(a).
3. The Authority proposes that these modifications will have effect from the date upon which energywatch is abolished, which it is currently anticipated will be 1 October 2008.

Reasons

4. The Authority is proposing the modifications referred to at paragraph 1 and 2 above and set out in Schedules 1 and 2 respectively of this notice because it is expected that energywatch will be abolished from 1 October 2008. Under the new arrangements for consumer representation set out in the CEAR Act 2007 Consumer Direct will have a key role in providing information, advice and signposting consumers (see further - 'Changes in consumer representation – licence conditions and industry codes'. Ref 16/08).

¹ References are to the Utilities Act as amended as of the date of this notice, including by the Consumers, Estate Agents and Redress Act 2007

² Defined in SLC 1 as meaning 'the Gas and Electricity Consumer Council established under section 2 of the Utilities Act 2000', and commonly referred to as energywatch.

5. As we anticipate that the changes to consumer representation will take effect on and from 1 October 2008, we are not proposing to give effect to the proposed licence modifications set out in this notice until then. However, we are informing licensees in advance of this date to provide them with adequate time to reflect the necessary changes in their stationery before the modified condition has effect.

Effect

6. The effect of the proposed modifications is as follows:
 - i. The definition of Consumer Direct is to be added to SLC 1 (Definitions for standard conditions).
 - ii. SLC 31.1 (Information about Consumer Council) is to be amended. References to Consumer Council are to be deleted and replaced with references to Consumer Direct. The effect of the proposed modifications to this condition is that the licensee must inform its domestic customers on or with each bill or statement of account that Consumer Direct can assist in providing information and advice to the domestic customer. Licensees will no longer be obliged to inform domestic customers on or with each bill or statement of account that the Consumer Council can assist in resolving complaints that the licensee has not resolved to the domestic customer's satisfaction.
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8. Subject to representations received in the course of the consultation and the date upon which energywatch is abolished, it is our current intention that the proposed modifications are to have effect on and from 1 October 2008.
9. Any representations about the proposed modifications must be made before close of business on 27 June 2008 and should be addressed to:

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If you wish to discuss any aspect of this notice, Marcus Clements 0207 901 7200 would be pleased to help.

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Maxine Frerk, Director, Corporate Affairs

Duly authorised on behalf of the Authority

30 May 2008

Appendix 2 - schedule 1

Proposed modification to Standard Licence Condition 1 of the Gas Supply licence

1. It is proposed that Standard Licence Condition 1 (Definitions for standard conditions) of the Gas Supply Licence is amended as set out in paragraph 2 below.
2. After the definition of Consumer Council, insert:

“ Consumer Direct means the body of that name which is funded by the Office of Fair Trading to provide a consumer advice helpline; ”

Appendix 2 - schedule 2

Proposed modification to Standard Licence Condition 31 of the Gas Supply licence

1. It is proposed that Standard Licence Condition 31 (General information for Domestic Customers) of the Gas Supply Licence is amended as set out in paragraphs 2 to 4 below.
2. Substitute 'Consumer Council' with 'Consumer Direct' in the heading of paragraph 31.1.
3. Substitute 'the Consumer Council' with 'Consumer Direct' in 31.1(a).
4. Delete 'resolving complaints that the licensee has not resolved to the Domestic Customer's satisfaction' and insert 'providing information and advice to Domestic Customers' in 31.1(a).