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Tuesday 5 July 2005

## OFGEM GIVES INDUSTRY A YEAR TO INTRODUCE BILLING IMPROVEMENTS

- **Energy suppliers have a year to deliver three key steps demanded by Ofgem**
- **Suppliers must stop 'back-billing' customers beyond two years, if no bill is issued and supplier is at fault – falls to one year from 2007**
- **New independent disputes body will be able to award compensation**
- **No evidence of widespread failure of industry billing processes following 'super complaint'**
- **Proposals to help customers, particularly the vulnerable**

Energy suppliers were told today (Tuesday) by regulator Ofgem that they have a year to take three key steps to improve the way they bill their domestic customers – or face regulatory action.

This follows Ofgem's investigation into a 'super complaint' about billing by consumer body, energywatch. While Ofgem found no widespread failure of industry billing arrangements, it did find that a relatively small number of customers suffered real harm when companies made billing mistakes. Ofgem's measures are designed to protect customers. They are:

- suppliers must stop 'back-billing' customers beyond two years, if no bill is issued and the supplier is at fault. This will reduce to one year in 2007
- energy suppliers must set up an independent body, with the power to award compensation, to resolve disputes quickly, and
- they must review their domestic customers' contract terms to ensure compliance with consumer rights legislation.

Chief Executive, Alistair Buchanan, said: "For the vast majority of customers, the energy market works well. But suppliers can get things wrong and when they do, this can cause customers real distress and hardship.

"Ofgem's three steps - an independent disputes body, an end to back-billing beyond a year and a review of customer contract terms - will help protect customers, particularly the vulnerable who are often the worst affected when companies make mistakes.

"Ofgem is committed to the principles of better regulation and we have, therefore, told the industry that they have a year to put their own house in order – or risk facing regulatory action. We believe this package is a proportionate and targeted response to the findings of our investigation."

Ofgem's extensive investigation looked not just at evidence from energywatch, but at complaints from Citizens Advice, billing records of individual companies, and complaint records from similar industries in the UK and energy suppliers abroad. It also found that current investment plans of the industry will see hundreds of millions of pounds being spent on improving customer service and new billing systems.

Alistair Buchanan added: "Good billing is vital because it allows customers to be **Energy Smart** about how much energy they use and how much they are paying for it. The measures outlined today by Ofgem will improve billing standards for all customers, however, the competitive market also allows customers to punish poor service by switching supplier."

**ends**

## **Notes to editors**

### **1. Complaints.**

Ofgem found that there was no evidence of widespread failure of the energy industry's billing process, which manages **47 million** customer accounts and delivers **200 million** bills a year. Billing complaints represent 0.07 complaints per 1,000 customers, per month, according to energywatch figures. Although complaints about billing are relatively low they still led to 39,000 complaints to energywatch in 2004.

### **2. Initiatives and ongoing work**

- Through its Social Action Strategy, Ofgem will continue work with the industry on methods of identifying vulnerable customers and preventing debt and disconnection. Suppliers have ongoing improvement programmes to with regard to debt and disconnection guidelines and many of the improvements relate to minimising billing errors.
- The Energy Retail Association (ERA) is committed to introducing a new code of practice which covers customer service and billing.
- Other industry initiatives have also seen complaints about changing suppliers decline by 60 per cent since June 2003 and complaints about customers having their supplier changed by mistake are down from 5 complaints per thousand in February 2002 to 0.87 complaints per thousand in July 2004.

### **3. Regulatory action**

In the event that suppliers fail to deliver the three steps required, Ofgem has the powers to introduce licence conditions which will force companies to make the changes Ofgem wants to see brought in. If suppliers fail to adhere to licence conditions they can face enforcement action or financial penalties.

4. Ofgem is the Office of the Gas and Electricity Markets, which supports the Gas and Electricity Markets Authority, the regulator of the gas and electricity industries in Great Britain. Ofgem's aim is to bring choice and value to all gas and electricity customers by promoting competition and regulating monopolies. The Authority's powers are provided for under the Gas Act 1986, the Electricity Act 1989 and the Utilities Act 2000.

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