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ONE IN FIVE HOUSEHOLDS CHOOSE AN INNOVATIVE ENERGY DEAL

- **One in five now signed up to fixed-price or other innovative energy deal**
- **Suppliers are developing new products to encourage customers to save energy and help tackle climate change**
- **Suppliers offering more special tariffs and services to help the fuel poor**
- **Customers should now seize the opportunity to get the best deal in terms of innovation, price and service**

One in five households have taken up fixed-priced tariffs and other innovative energy deals according to research by energy regulator Ofgem. It found that energy suppliers are competing fiercely not just on price but also through innovative tariffs, products and through improving service offerings. And energy companies are demonstrating innovation in meeting their social responsibilities with special tariffs and services to help vulnerable customer groups.

Some **3 million** gas and electricity customers have opted for a fixed-price deal and **1.2 million** customers are now buying their energy online through internet-only deals.

Outside simple price competition, energy suppliers are competing on quality of service. Some indications of this include recent research that shows one in ten customers switch because of service. Companies know that they can lose customers if their service is not up to the mark – a sign of this is the decline in the number of complaints about most energy companies.

And suppliers are beginning to respond to growing demand for environmentally friendly energy with deals that reward customers who cut their energy use. Nearly **350,000** customers have chosen a green tariff. Ofgem is currently consulting on a scheme to give ratings to green energy deals to build customer confidence that they are getting a fair deal.

Ofgem Chief Executive Alistair Buchanan said:

“Ofgem’s research shows that customers are punishing firms that do not deliver on price and service - switching rates remain strong. Suppliers are responding by cutting prices, improving service and developing new energy products to attract and retain customers.

“But a large number of customers are still missing out on savings of up to **£100** and better customer service by not shopping around. Customers have a choice and can switch away from suppliers who offer high prices or poor service.”

“We also want to highlight the benefits of switching supplier or tariff to customers on low incomes. Many suppliers offer special tariffs to those struggling to pay their energy bills.”

A key area of activity under Ofgem’s **Social Action Strategy** is to promote best practice. Developments in Corporate Social Responsibility show innovative thinking by the energy companies including work with charities to target help to low-income and vulnerable customers. But Ofgem has found that awareness of this is low amongst customers.

Notes to editors

1. Innovation

Over 9 million gas and electricity customer accounts are on innovative products, 6 million are on fixed-rate and 2.5 million are on online tariffs. As 20 million of the 26 million households in the UK take both gas and electricity we have halved the figures to 3 million and 1.2 million to indicate uptake per household.

2. Innovation for fuel poor customers

Corporate Social Responsibility initiatives are an important part of supplier innovation. For example British Gas' Essentials tariff offers vulnerable customers on prepayment meter or standard credit the same price as it offers to direct debit customers. EDF Energy has an Energy Assist deal targeted at low income users. All suppliers offer some form of special tariff or trust fund arrangement, or work in partnership with charities and other agencies.

Ofgem is currently developing a framework to help monitor these developments more effectively as part of its Social Action Strategy, published last week, which sets out our work in support of vulnerable customers. As part of this strategy Ofgem is seeking to provide more advice to vulnerable customers, particularly those in Scotland, where there is a higher incidence of fuel poverty. For example, Ofgem last week launched a campaign to spotlight the savings available to customers on prepayment meters who have never switched.

For more information Ofgem's Social Action Strategy and its report "*Domestic suppliers: social obligations annual reporting for 2006*" are available online at www.ofgem.gov.uk

3. For more information Ofgem has published a factsheet "Britain's competitive energy market," which is available from the Ofgem website (www.ofgem.gov.uk).

4. Average saving figures for Standard Credit and Direct Debit dual fuel deals

Standard credit

	Dual Fuel SC	Diff to Best Offer
SSE	875	0
EDF Energy	907	32
npower	909	33
British Gas	913	38
Powergen	913	38
ScottishPower	961	86

Direct Debit

	Dual Fuel DD	Diff to Best Offer
npower	825	0
SSE	828	3
ScottishPower	836	12

British Gas	837	13
Powergen	857	32
EDF Energy	865	40

5. Switching rates

Switching rates remain robust and this is reflected in the fact that in the 14 old regional electricity areas over half have seen their former monopoly electricity supplier lose over **50 per cent** of their market share. In gas British Gas has lost over **53 per cent** of its market share.

6. Service

Complaints to consumer body energywatch are declining for all companies apart from British Gas, which has difficulties with a new billing system. Ofgem last year forced the energy companies to set up the Supply Ombudsman which can award compensation up to £5,000 to customers in disputes with energy suppliers.

7. 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. The Authority's functions are set out mainly in the Gas Act 1986, the Electricity Act 1989, the Competition Act 1998 and the Utilities Act 2000. In this note, the functions of the Authority under all the relevant Acts are, for simplicity, described as the functions of Ofgem.

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