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OFGEM HALVES RULES TO OPEN SUPPLY MARKET POSSIBILITIES

- **Ofgem's review of rules governing the supply companies balances improved protection for vulnerable customers and greater opportunities for innovation in the market**
- **Supply licence review halves the number of rules and makes the remaining ones easier to understand**
- **Simpler rules open door for new entrants to supply markets**

As part of a landmark piece of work energy regulator Ofgem has cleared the way for energy suppliers to offer more innovative products that could bring better deals to customers and environmental benefits.

At the same time Ofgem has improved protection for vulnerable customers, made it simpler for new players to enter the supply market and removed obstacles discouraging companies from introducing technology to improve accuracy of bills.

In its review of the licence conditions that govern the supply companies, Ofgem has axed the 28-day rule that allows customers to switch supplier only four weeks after signing up with another. This has made it difficult for suppliers to offer long-term deals that include installation of energy-saving measures. Ending the 28-day rule is one element of a wide-ranging project – the Supply Licence Review. It comes into force today (Wednesday) and includes:

- halving the number of licence conditions and simplification of the remaining rules to open the way for new entrants to the supply market;
- a revision of conditions to pave the way for companies to offer smart meters that can be read remotely and can aid householders in cutting their consumption; and
- improving information available to vulnerable customers on carbon monoxide risks.

The Supply Licence Review has been a major undertaking involving some two years' work. It demonstrates Ofgem's commitment to the Government principles of Better Regulation in reducing the regulatory burden while improving protection of customers' interests.

"We have fixed in place protection to ensure that vulnerable customers are well served by the market while clearing the decks to allow innovation. We look now to the companies to respond," said Ofgem Chief Executive Alistair Buchanan.

"The Supply Licence Review is a model piece of regulation, taking out unneeded legacies from the early days of privatisation, improving the clarity of what is kept - all to the potential benefit of customers, industry and the environment."

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Notes to editors

1. All companies supplying gas and electricity in Great Britain must obtain a licence from Ofgem before supplying customers.

The obligations set out in these licences had not changed significantly since the market was opened to competition starting with the domestic gas market in 1996. Ofgem's review involved either removing or redrafting each standard licence condition. The new licence is about half the length of the existing licence with obligations that are more clear and concise.

2. The 28-day rule required domestic suppliers to offer contracts that could be terminated on 28 days notice. This was originally put in place to prevent existing suppliers signing up customers on long-term contracts to restrict competition from new suppliers.

As part of its review Ofgem has removed this obligation, which may have been preventing suppliers from offering more sustainable energy services to customers to reduce their energy use under long-term supply contracts.

3. Under the licence conditions, suppliers are obliged to inspect meters every two years. Many suppliers have told Ofgem that this is a barrier to the introduction of smart metering. Ofgem will now be able to issue derogation from this obligation to a supplier seeking to install smart meters. The supplier must demonstrate that customers will be better off and that safety will not be compromised.
4. There are clearer, more focused obligations designed to protect vulnerable customers. Ofgem has extended the criteria of eligibility for free gas safety checks to include owner-occupier households in receipt of means tested benefits with children under five and tightened the rules on price changes where customers are supplied through a pre-payment meter.
5. 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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