

# Consumer Bulletin

## RIO - new deal for consumers of energy networks

**This week we launched the new RIO model, marking the biggest change to network regulation in over 20 years**

RIO's predecessor, RPI-X, has helped us keep costs down for consumers for a generation but cannot cope with the massive investment needed to deliver a low carbon economy and secure energy supplies over the long term. Our new performance-based model, RIO, seeks to ensure consumers get the necessary investment in Britain's pipes and wires at a fair price for consumers.

What does 'RIO' stand for? A company's revenues(R) are derived from getting monies for innovation(I) and incentives(I) but also by achieving agreed outputs(O).

RIO represents:

- A win for consumers: who will get security and reliability of supply, a greener country and critically a set of Outputs that give confidence over value for money.
- A win for investors: who get clarity and stability on the way ahead and opportunity.
- A win for GB investment: there will be opportunities for the supply chain as many engineering companies will get involved in the rewiring programme. This is also good for jobs.

## Ofgem proposes making energy suppliers give 30 days notice of price rises

**At the end of September we published a further consultation on our "minded to" proposals for changing the notice suppliers can give to consumers on a price change. Going from up to 65 working days after the date of the price increase to 30 calendar days in advance of the price increase.**

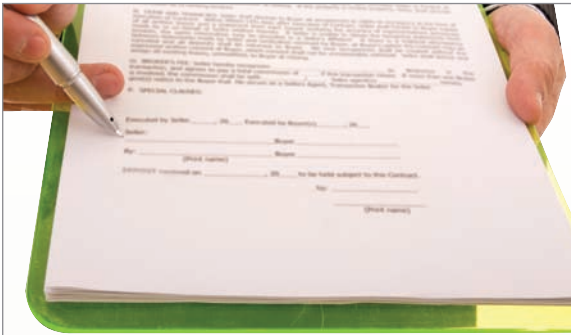


This follows on from our March 2009 consultation when we said we were minded to remove the current 65 working day period for notifying customers and sought views on what period of advanced notification should apply.

In August 2009 we published our Probe retail market remedies document - where we made it clear that the best practice was to notify of

an increase as soon as possible and preferably in advance. At that time we decided to make some incremental changes, but committed to undertake further work outside of the Probe.

Subject to consultation responses, we plan to take steps to propose and put in place amended licence conditions as quickly as possible. We will keep you updated on this issue.



## Ofgem investigates misselling

In September we opened investigations into four suppliers<sup>1</sup> to determine if they are complying with new tougher obligations put in place following Ofgem's Probe remedies, as well as new requirements to provide estimates and comparisons during face-to-face sales activities.

A hotline was available for consumers to call if they felt a salesperson from any energy supplier had behaved inappropriately, or had mis-sold an energy deal, either face-to-face or by telephone. We are now reviewing this evidence.

We are also examining other information to determine whether the four suppliers are complying with the tougher new obligations regarding face-to-face and telephone sales activities (brought in on 21 October 2009) and the new requirements to provide estimates and comparisons during face-to-face sales activities (brought in on 18 January). The fact that we have launched the investigations does not imply that these companies have breached the obligations / requirements. We expect all suppliers to comply with these tougher obligations / requirements but if our investigation finds otherwise we will take action.

Ofgem and Consumer Focus have also published a leaflet with practical information and advice for consumers when an energy salesperson calls at the door or telephones:



[http://www.ofgem.gov.uk/Media/FactSheets/Documents1/energy\\_salespeople.pdf](http://www.ofgem.gov.uk/Media/FactSheets/Documents1/energy_salespeople.pdf)

<sup>1</sup> EDF Energy, npower, Scottish Power and Scottish & Southern Energy

## 64,000 customers helped by Ofgem and Citizens Advice's campaign

The Energy Best Deal programme has been run by Citizens Advice and supported by Ofgem since 2008 and recently funded by energy suppliers: EDF Energy; E.ON; npower and Scottish Power.

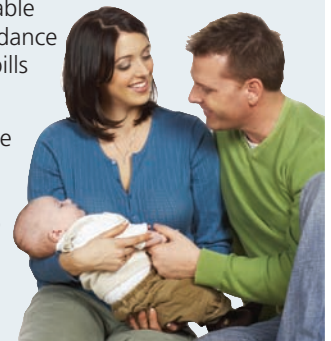
Energy Best Deal is an initiative to enable Bureaux and other members of Citizens Advice's nationwide financial capability forums to deliver information sessions to consumers and frontline workers on how to make savings on their energy costs by switching supplier and/or changing to a better tariff. It also raises awareness of the help available from both suppliers and Government for those who are struggling to pay their energy bills.

Energy Best Deal builds on the research under Ofgem's Consumer First Programme which showed that many vulnerable customers needed more information and guidance on tariff payment options; ways to manage bills and access to energy grants.

An independent evaluation, carried out by the Centre for Sustainable Energy, shows that in 2010 Energy Best Deal had a positive impact on the consumers and frontline workers who attended sessions.

A joint Citizens Advice/Ofgem leaflet setting out Energy Best Deal advice is available here:

<http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=131&refer=SUSTAINABILITY/SOCACTION/PUBLICATIONS>



## Supreme Court victory for Ofgem and consumers in gas meter case

In August we welcomed the decision by the Supreme Court refusing National Grid permission to appeal the Court of Appeal's findings that the company breached competition law in the gas meter market. This follows appeals to the Competition Appeal Tribunal and Court of Appeal where, although the penalty was reduced, the substance of our decision (made in 2008) was upheld.

The breach prevented suppliers from contracting with other companies for cheaper metering deals and could have discouraged suppliers from installing smart meters. When the meter market opened up, National Grid struck long-term contracts with five of the six major energy suppliers to supply and maintain meters. The contracts had financial penalties if suppliers replaced more than the few allowed under contract. By

restricting competition, National Grid Gas had deprived suppliers and customers of lower prices and better service.

There are approximately 22 million domestic gas meters installed in the UK of which about 2.3 million are pre-payment meters. National Grid's turnover from the gas metering business is in the region of £250 million.

This is now the end of the legal avenues open to National Grid and the matter is now closed, which means that suppliers will be free to renegotiate the terms of metering contracts with National Grid Gas. The £15 million penalty is the highest financial penalty for abuse of dominance imposed in the UK to date. This case demonstrates Ofgem's commitment to taking action where there is evidence that a company has acted in a way that restricts competition and harms customers.