

Press release

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OFGEM'S MARKET PROBE GIVES MORE MUSCLE TO CONSUMERS

- Ofgem has delivered changes to energy supply rules that will give consumers more clout in the energy market.
- The measures are remedies to flaws uncovered by Ofgem's recent Energy Supply Probe.
- The regulator has laid down new standards of conduct that it will use to judge suppliers' treatment of consumers.

Consumers can look forward to using greater power in the energy market as a raft of measures from energy regulator Ofgem roll out to bring fairer sales practices by suppliers and clearer information on bills. Following full consultation Ofgem has today unveiled a package of remedies to suppliers' shortcomings that emerged from the regulator's major probe into the energy market.

The measures include:

- tougher rules on marketing practices – including doorstep selling;
- an obligation on suppliers to provide clearer information on energy bills designed to help customers when comparing tariffs;
- greater protection for small businesses that make up the majority of commercial consumers;
- helping many low-income and other vulnerable customers to switch to better deals; and
- an obligation on the suppliers to publish revenue, costs and profits from production and supply of electricity and gas.

Ofgem Senior Partner, Markets, Andrew Wright said: "Ofgem has taken on the main consumer concerns and placed tougher rules on the suppliers to remedy those concerns. As each measure comes into play, consumers - including low-income households and small businesses - will be armed with better information and protection. That will give them more muscle in the market to put a greater competitive squeeze on the suppliers."

The new rules are accompanied by a clear set of standards of conduct that all suppliers should keep to when dealing with domestic consumers and small business. Ofgem will look to these standards when considering any enforcement action.

"The new standards define the spirit of the new rules to go with the letter of the laws," said Wright. "They call on suppliers to be clear, fair and courteous and to take the confusion out of comparing products. I particularly urge suppliers to consider carefully whether any of their products could be simplified to help consumers to make informed choices."

The remedy package follows the implementation from 1 September of new rules banning undue discrimination including price differences between payment methods that do not reflect the suppliers' costs of offering those payment methods.

Notes to editors

1. Ofgem has today issued statutory notices that put in place legally binding obligations on suppliers to comply with the package of remedies that emerged from Ofgem's energy supply market probe. This package of will make the market work better and empower and protect energy consumers.

2. **The remedies**

Ofgem's package of remedies will make the market work better for energy consumers. They follow new licence conditions prohibiting non-cost-reflective payment methods and other forms of undue discrimination which also arose from the probe and became effective on **1 September 2009**.

From **July 2010** domestic customers will begin to see the improvements in the information printed on their bills and they should begin receiving their **annual statements**. All customers should have received their first annual statement by December 2010 at the latest.

Changes to **debt blocking arrangements** - including doubling to £200 the threshold of debt a pre-payment meter customer can carry and still switch – will come into effect on **18 January 2010**. This will help a greater number of vulnerable customers to switch supplier.

Remedies for micro-businesses come into force on **18 January 2010** and will apply to all **new contracts** entered into on or after this date. The conditions will not apply retrospectively meaning that for customers on **existing contracts**, the new rules will only begin to take effect once their contract ends.

A revised licence condition governing face-to-face and telephone-based **marketing practices** will come into force on **21 October 2009**. However, a new requirement for written estimates prior to face-to-face sales will come into force on **18 January 2010** to give suppliers time to change systems and train staff.

A licence condition requiring vertically integrated energy companies to **publish annual revenue, costs and profits** from their production and supply businesses in gas and electricity will take effect in **2010**.

Ofgem has delayed the introduction of rules on improvements in billing information in the light of company difficulties in meeting the original timetable. This benefits consumers with a swifter result than the alternative which was further consultation or a referral to the Competition Commission.

3. **New overarching standards of conduct for suppliers**

Ofgem has introduced new standards that suppliers should keep to in all of their dealings with domestic and small business consumers. Under these, suppliers **must not**: sell products or services that customers do not fully understand or that is inappropriate for their needs and circumstances; change anything material about a product or service without clearly explaining why; prevent a customer from switching product or supplier without good reason; offer products that are unnecessarily complex or confusing; and suppliers **must** make it easy for their customers to contact them and act promptly and courteously to put things right when they make errors.

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. The Authority's powers and duties are largely provided for in statute, principally the Gas Act 1986, the Electricity Act 1989, the Utilities Act 2000, the Competition Act 1998, the Enterprise Act 2002, the Energy Act 2004 as well as arising from directly effective European Community legislation.

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