

## Press Release

### **Ofgem reforms to give consumers the choice they want with the simplicity they need**

- **Ofgem publishes detailed rule changes to give consumers clearer choice in a simpler market**
- **Suppliers should start delivering a simpler, clearer and fairer market for consumers now**
- **Proposals based on two years of extensive research with consumers**

Ofgem has published detailed rule changes to deliver a simpler, clearer and fairer energy market. The proposals are grounded in two years of extensive engagement with consumers and industry.

Now that the proposals have been confirmed suppliers should follow up the good work many have already started and implement Ofgem's reforms as quickly as possible. Otherwise they risk further damage to trust by delaying the benefits being passed on to consumers.

The reforms will tackle problems of widespread consumer confusion over energy tariffs, poor supplier behaviour and lack of transparency which is stifling competition. This will give consumers the choice they want and simplicity to compare energy tariffs, making it much easier to access the information they need to find the best deal on the market.

A fairer market is also just weeks away as Ofgem's standards of conduct to ensure consumers are treated fairly are due to come into force this summer. Once in place companies face investigation and possible fines if they fail to treat consumers fairly.

Andrew Wright, Senior Partner for Markets at Ofgem, said: "Our reforms today are the blueprint for the simpler, clearer and fairer energy market that consumers deserve. This will provide them with the choices they want alongside the simplicity they need.

"They have been delivered following two years of engagement with consumers and industry in the most comprehensive ever review of the retail market.

"Now that our proposals have been confirmed it also gives suppliers a unique opportunity to forge ahead, building on the progress some have already made, and begin to restore trust in the energy market. Further hesitation will only delay benefits for consumers."

Ends

**Notes to editors:**

## 1. Timetable for reforms

Today's statutory consultation on the detailed licence conditions is the last step before Ofgem decides whether to implement the most radical reforms to the retail market since competition began. If, as envisaged, Ofgem decides to proceed, barring an appeal the reforms will come into effect from the summer onwards. Ofgem is proposing that the main tariff reforms will all be in place by December 2013 and some aspects, like the standards of conduct to ensure fair play for consumers, will be introduced much sooner. However, now the policy position is settled there is nothing to stop suppliers delivering these reforms sooner.

## 2. Ofgem's final licence proposals include:

### **Simpler – making it easier to compare suppliers**

- i. Four "core" tariffs to cut the baffling array of tariffs currently on the market. That will actually mean four tariffs per fuel type (electricity and gas), which would apply to each payment type. As well as suppliers being able to offer these tariffs into collective switching schemes, they will also be able to offer extra fixed term tariffs into schemes that meet our criteria.
- ii. Dual fuel and online account management discounts will remain, and will not be considered as "core tariffs" but as a discount. They will be simplified and will apply uniformly across all tariffs as £/pence per year. For example, a supplier would be able to offer a direct debit customer a choice of no more than four electricity and four gas tariffs. The customer could then choose a dual fuel discount and an online account management discount.
- iii. Most tariffs will have a standing charge and a single unit rate. The standing charge can be zero.
- iv. Certain expensive "standard" or "variable" tariffs that are no longer available will be banned to reduce the overall number of tariffs and the risk of people paying too much. Suppliers will only be able to keep consumers on dead tariffs if they offer value for money. Otherwise they will be transferred to their supplier's cheapest variable (non-fixed term) deal.

### **Clearer – introducing new tools to help switching**

- i. Suppliers will be required to give all their customers personalised information on the cheapest tariff they offer for them. Ofgem is also looking at ways in which the stickiest and most vulnerable consumers can be given better information on the cheapest deal across the market.
- ii. New rules requiring all information suppliers send to consumers to be simplified, more engaging and personalised to them.
- iii. Wherever possible, suppliers will use a new Tariff Comparison Rate (TCR), in all their communications to help customers compare tariffs. Ofgem is also proposing personalised estimates with a customer's usage to help them compare tariffs more accurately when switching.
- iv. A new tariff information label will set out key terms and conditions and relevant information to help consumers compare across suppliers.

### **Fairer – building trust in the energy market**

- i. New enforceable standards of conduct will enable Ofgem to take action against suppliers where they have failed to treat customers fairly. This will place an overarching condition on suppliers to consider consumers' needs and treat them fairly.
- ii. Added protections for customers on fixed term contracts, including:
  - a. banning price increases or other changes to fixed term tariffs (except trackers or structured price increases set out in advance which are fully in line with consumer protection law);
  - b. banning practices whereby customers are rolled onto further fixed term contracts without their consent;

- c. providing a no-exit fee and 49 day switching window before the end date to their fixed term tariff before switching to a new tariff.

3. Ofgem's standards of conduct cover all aspects of customer liaison and care, including the handling of queries and complaints. We intend to introduce these rigorous, enforceable standards from this summer to ensure that consumers receive a fair deal from energy suppliers. You can find the consultation on this matter [here](#).

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 Union legislation.

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