Domestic Retail Market Report - June 2005

Document Type: Report

Ref: 24/06

Date of Publication: 7 February 2006

Overview:

The Domestic Retail Market Report (DRMR) updates key indicators that Ofgem has used to assess the state of competition in the supply of energy to households in Great Britain. This report provides information on the level of these indicators up to the end of June 2005. This report has been published alongside the September 2005 DRMR.

In general, the indicators in this report show continued evidence of effective competition between domestic energy suppliers. Ofgem believes that a competitive retail energy market continues to bring benefits to domestic consumers. This is consistent with the conclusions set out in Ofgem's April 2004 review of competition in this sector.

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Target Audience: All parties interested in the development of competition in the supply of energy to households in Great Britain.

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Office of Gas and Electricity Markets
Promoting choice and value for all gas and electricity customers

Context

Ofgem's principal objective is to protect the interests of consumers present and future, wherever appropriate by promoting effective competition. We also have a number of secondary duties, including a requirement to have regard to the principles of best regulatory practice such as proportionality and transparency.

Ofgem has published a number of extended reports on the state of competition in the supply of energy to British households. These resource-intensive reviews have drawn positive conclusions about the domestic retail energy market. Consequently, we believe that the continued regular publication of broad and detailed analysis of the domestic market would not be justified at present.

Ofgem has instead decided to publish information on indicators of the state of competition between domestic energy suppliers. This is intended to facilitate the discussion and implementation of policies that most effectively protect consumers. It will also increase the transparency of the information that Ofgem considers in formulating policy decisions. Ofgem will publish future updates when we believe that this would help us to meet our statutory objectives. In doing this, we will also take account of our other priorities and commitments.

In addition, we continue to assess the extent to which domestic energy consumers are protected by effective competition. This includes the review and development of our analytical framework for making this assessment.

The information contained in this report is generally not appropriate for use by consumers in making a decision about whether or not to switch to a particular energy supplier. Information on how to change your energy supplier is available from the energywatch website at the following address:
http://www.energywatch.org.uk/help_and_advice/how_to_change_supplier/index.asp

Associated Documents

- Domestic Retail Market Report - June 2005 (Appendices), February 2006
- Domestic Retail Market Report - September 2005, February 2006 (Ref. No 23/06)
http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/13816_2306.pdf?wtfrom=/ofgem/index.jsp
- Domestic Competitive Market Review, April 2004 (Ref. No. 78/04)
http://www.ofgem.gov.uk/ofgem/work/index.jsp?section=/areasofwork/retailcompetition

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Summary

In April 2004, Ofgem published a review of the state of competition in the supply of energy to household customers in Great Britain. This review concluded that supply competition had provided substantial benefits for all customers. Since the publication of that review, some industry stakeholders have expressed concern about the effectiveness of supply competition in protecting domestic consumers. In particular, these parties have highlighted the impact of the implementation of a number of price rises by suppliers.

This report updates some of the indicators of competition[1] that were included in Ofgem's April 2004 review. It also provides information on social issues and initiatives in energy supply, changes in industry costs and developments in the European energy sector.

In general, the indicators in this report show continued evidence of effective competition between domestic energy suppliers. There is a significant proportion of customers who have yet to switch supplier and there is some evidence of lower switching rates amongst particular groups. However, these findings do not appear to be a result of significant barriers to switching, either for all customers or for particular groups.

The key findings of the report are summarised below.

Customer experience and behaviour

- of the energy customers surveyed, over 80% stated that they are satisfied or very satisfied with their supplier
- around 300,000 gas customers and 350,000 electricity customers successfully transferred supplier each month between April and June 2005. These monthly figures are consistent with the levels reported in previous years
- the vast majority of customers are aware that they are able to switch supplier and most customers do not perceive the transfer process to be difficult, and
- the proportion of customers approached by salespeople from suppliers is broadly consistent across all demographic groups.

[1] Ofgem regularly collects information on customer numbers, switching flows and prices. In addition, Ofgem commissioned Accent to carry out a survey of domestic energy consumers in early 2005. Accent's report for Ofgem on the key findings and methodology of this survey is included in the supplementary appendices to this document.

Prices

- the consumers surveyed stated that price was the most significant factor in deciding whether or not to switch suppliers
- there has consistently been a range of price offers available on all fuel types and payment methods
- there have consistently been significant savings available for customers on standard tariffs, particularly for those who had yet to switch from their incumbent suppliers, and
- monthly direct debit remains the cheapest payment method.

Market shares of domestic energy suppliers

- the market shares of the old monopoly suppliers have continued to be eroded by their customers taking advantage of the range of savings available on standard tariffs, and
- there is significant variation between different regions in the electricity market share of the old monopoly electricity supplier.

1. Market overview

➔ As a complement to subsequent chapters that focus on specific quantitative indicators of competition, this chapter provides information on a number of broader indicators. It also highlights recent developments of interest in the energy sector, particularly those directly related to domestic energy supply in Great Britain.

Customer experience

Customer survey

1.1. In early 2005, Ofgem commissioned Accent to carry out a customer survey in order to measure indicators of competition in domestic gas and electricity markets. The supplementary appendices to this document contain the key findings and methodology of the survey that Accent provided Ofgem with in May 2005.

1.2. In summary, the survey found that satisfaction with their supplier is high for most domestic energy customers. Price remains the most important factor in switching supplier, a process that is perceived to be easy by most customers. As a result of switching activity, many customers are now on dual fuel deals.

1.3. Some of Ofgem's previous work on customer satisfaction is contained in Chapter 2 of the Domestic Competitive Market Review, published in April 2004. This document is available at the following address:
http://www.ofgem.gov.uk/ofgem/work/index.jsp?section=/areasofwork/retailcompetition

energywatch complaints data

1.4. energywatch publish information on the number of complaints they receive from customers about domestic energy suppliers. These complaints are divided into three categories - account and billing, transfer, and direct selling.

1.5. Information on complaints received between April and June 2005 is available at the following address:
http://www.energywatch.org.uk/help_and_advice/complaints_received/index.asp

Social issues

Corporate Social Responsibility (CSR)

1.6. On 30 June 2005, Ofgem published an assessment by Energy Services Partnership of the progress made by domestic energy suppliers and the range of help available in providing CSR programmes relevant to vulnerable customers. In 2006, Ofgem intends to publish an update on progress in this area.

1.7. The 2005 review is available from the Ofgem website at the following address: http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/11774_15505b.pdf?wtfrom=/ofgem/work/index.jsp&section=/areasofwork/socialactionplan.

Social Action Strategy

1.8. Each quarter, Ofgem publishes an update on various indicators that are used to monitor the progress of its Social Action Strategy. These updates include information on payment methods, debt, disconnection, priority services and prepayment meters.

1.9. The Q2 2005 update is available from the Ofgem website at the following address:
http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/12205_Binder1.pdf?wtfrom=/ofgem/work/index.jsp&section=/areasofwork/socialactionplan

Industry costs

Electricity distribution use of system charges (DUoS charges)

1.10. DUoS charges typically represent about a fifth of the average domestic electricity bill. On 1 April 2005, electricity distributors implemented changes to their DUoS charges. The percentage change in the annual DUoS charge for a standard domestic consumer on an unrestricted tariff ranged from -5% in East Midlands to +15% in South-West England (Sweb).

1.11. Whilst the level of DUoS charges will be affected by the new five-year electricity distribution price control that came into force on 1 April 2005, other factors may also influence the direction and size of changes to charges made by individual distributors. These factors may include:

- rebalancing between different tariff classes, and
- whether the distributor has previously under or over recovered income compared to the revenue allowed by the price control mechanisms.

1.12. An Ofgem factsheet on the 2005-2010 distribution price control is available at: http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/9419_DPCR_factsheet_Nov04.pdf?wtfrom=/ofgem/press/fact-sheets.jsp

Wholesale prices

1.13. Wholesale costs are the largest component of the final retail bill for both gas and electricity. They typically represent approximately around half of the final bill for household customers. Forward wholesale prices continued to rise in Q2 2005. Forward annual wholesale gas and electricity prices in Q2 2005 were both about a third higher than those reported in the previous quarter. Compared to the wholesale price levels seen in Q2 2004, the Q2 2005 figures represented an increase of about two-thirds for gas and just over a half for electricity.

Europe

European Commission inquiry

1.14. On 13 June 2005, the European Commission launched an inquiry into competition in gas and electricity markets in Europe. The inquiry was a response to concerns about the development of wholesale markets and limited consumer choice. As well as seeking to identify possible distortions of competition that could be addressed by competition law, the inquiry was also due to examine the reasons for the price rises seen in early 2005. The inquiry complements on-going Commission monitoring of the implementation of EU energy legislation and a detailed report (due at the end of 2005) being undertaken on the energy market. An interim report on the inquiry was scheduled for publication by end 2005 with the main results being published in 2006.

1.15. The press release announcing the launch of the inquiry can be found at: http://europa.eu.int/rapid/pressReleasesAction.do?reference=IP/05/716&format=HTML&aged=0&language=EN&guiLanguage=en

Other data sources

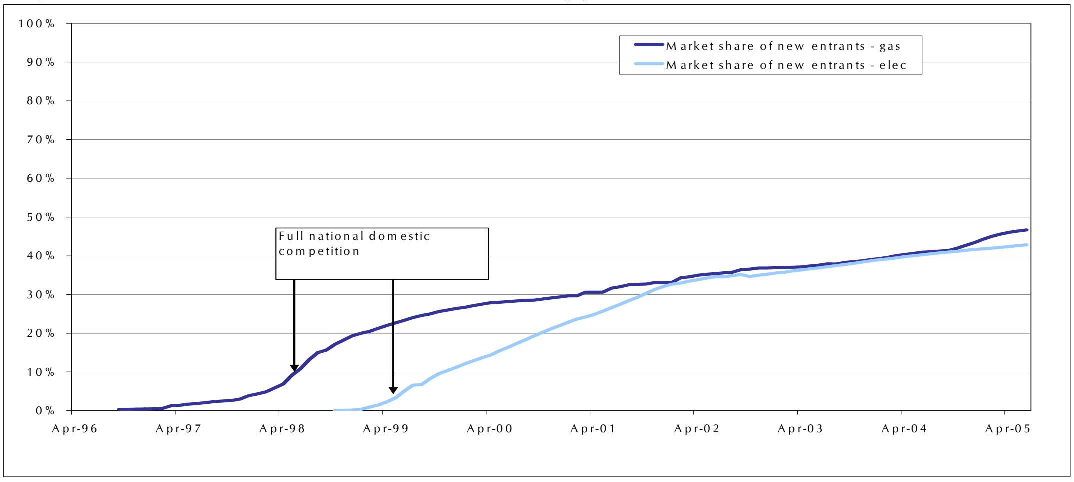
Department of Trade and Industry (DTI)

1.16. In addition to its annual publication of the Digest of United Kingdom Energy Statistics, the DTI provides updates of various energy sector statistics at the following address: http://www.dti.gov.uk/energy/inform/index.shtml

2. Market shares

Figure 2.1 illustrates the extent of net switching in the household energy market. It shows the proportion of gas and electricity customers no longer with the incumbent supply group (up to 30 June 2005)

Figure 2.1: Market share of entrant suppliers

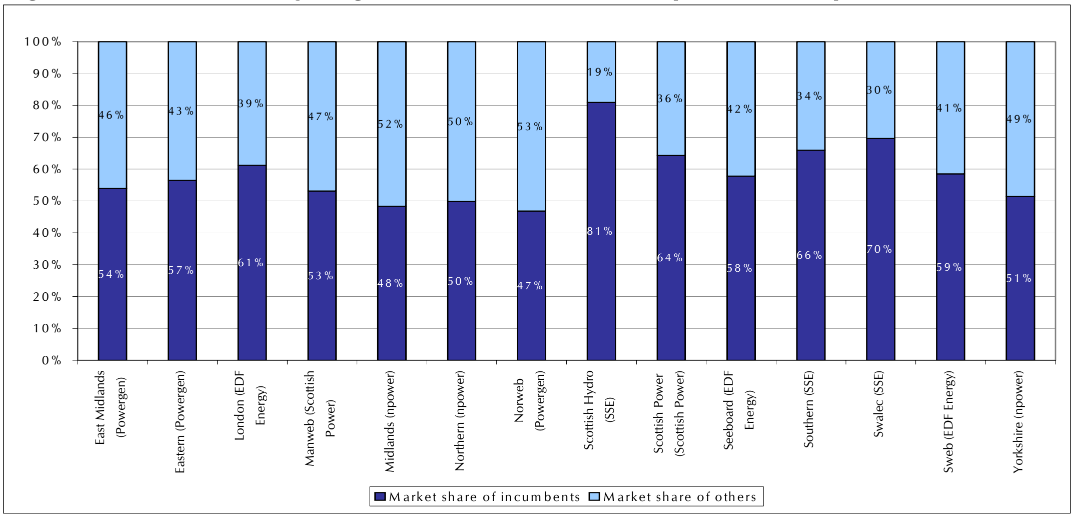


Source: Domestic gas suppliers and electricity distribution companies

Figure 2.2 shows the electricity market share of the incumbent supply group in each region (as of 30 June 2005). The incumbent supply group is identified in brackets alongside the name of the region.

In all regions except Scottish Power and Swalec (South Wales), the incumbent supply group lost market share over the year up to June 2005.

Figure 2.2: Electricity regional market shares (June 2005)



Source: Electricity distribution companies

Tables 2.1 and 2.2 show the national market share of the six biggest domestic energy supply groups (up to 30 June 2005). These market shares represent the proportion of total customers (as proxied by the number of meter points) within a market that are registered to a particular supply group.

The significant changes seen in market shares between June and December 2002 are the result of the purchase of Seeboard by EDF (July 2002) and TXU by Powergen (October 2002). SSE's purchase of Atlantic Electric and Gas in April 2004 helped to increase its market share in both gas and electricity.

Table 2.1: National market shares in gas

Group	Jun-02	Dec-02	Jun-03	Dec-03	Jun-04	Dec-04	Jun-05
BGT	65%	63%	62%	61%	59%	57%	53%
Powergen	4%	12%	12%	12%	12%	13%	14%
SSE	5%	6%	6%	7%	8%	8%	9%
npower	9%	9%	9%	9%	9%	9%	9%
ScottishPower	4%	5%	5%	6%	7%	8%	9%
EDF Energy	3%	5%	5%	5%	5%	5%	5%
Others	9%	0%	0%	1%	0%	0%	0%

Source: Domestic gas suppliers

Table 2.2: National market shares in electricity

Group	Jun-02	Dec-02	Jun-03	Dec-03	Jun-04	Dec-04	Jun-05
BGT	22%	22%	23%	24%	24%	23%	22%
Powergen	8%	22%	22%	21%	21%	21%	21%
SSE	13%	13%	14%	14%	15%	15%	16%
npower	17%	16%	16%	15%	15%	15%	15%
EDF Energy	10%	15%	15%	14%	14%	13%	13%
ScottishPower	10%	10%	10%	11%	12%	13%	13%
Others	20%	0%	1%	1%	0%	0%	1%

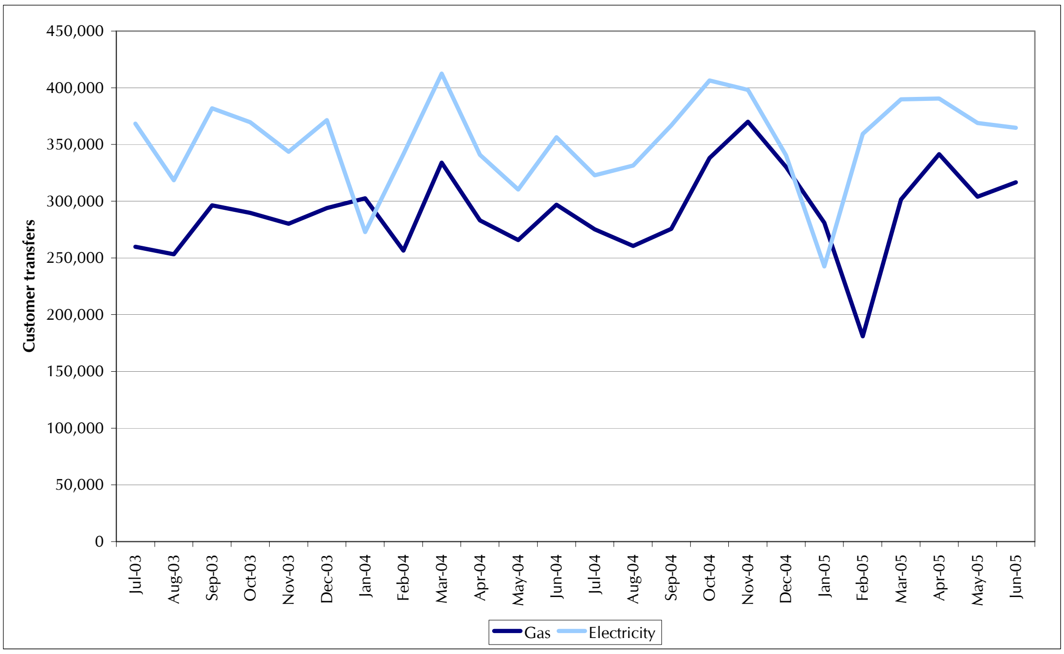
Source: Electricity distribution companies

3. Switching

Figure 3.1 shows the total number of domestic customers who successfully transferred supplier each month in gas and electricity (up to June 2005).

Following a dip in the first months of 2005, the number of switches completed each month in Q2 2005 recovered to the levels seen in 2004. A fall in the number of transfers completed in the first quarter is a pattern that can be seen in figures for previous years.

Figure 3.1: Monthly transfer figures in gas and electricity

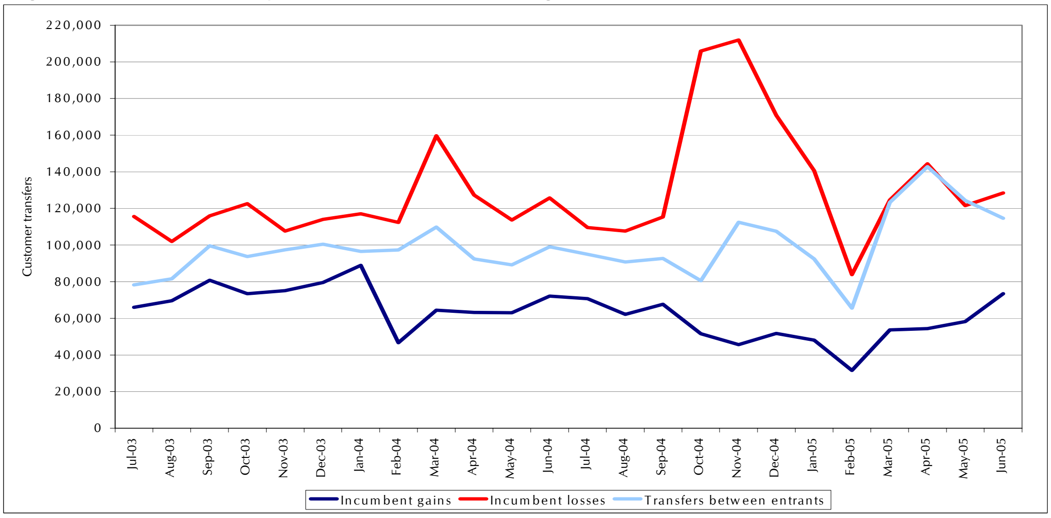


Figures 3.2 and 3.3 show the number of transfers completed each month to ("incumbent gains") and from ("incumbent losses") incumbent supply groups. The charts also show the number of transfers completed each month between entrants.

Both Figures 3.2 and 3.3 demonstrate the dynamic nature of the retail energy market. They highlight the activity that is taking place behind the relatively more slow moving movements in market shares (which reflect net changes).

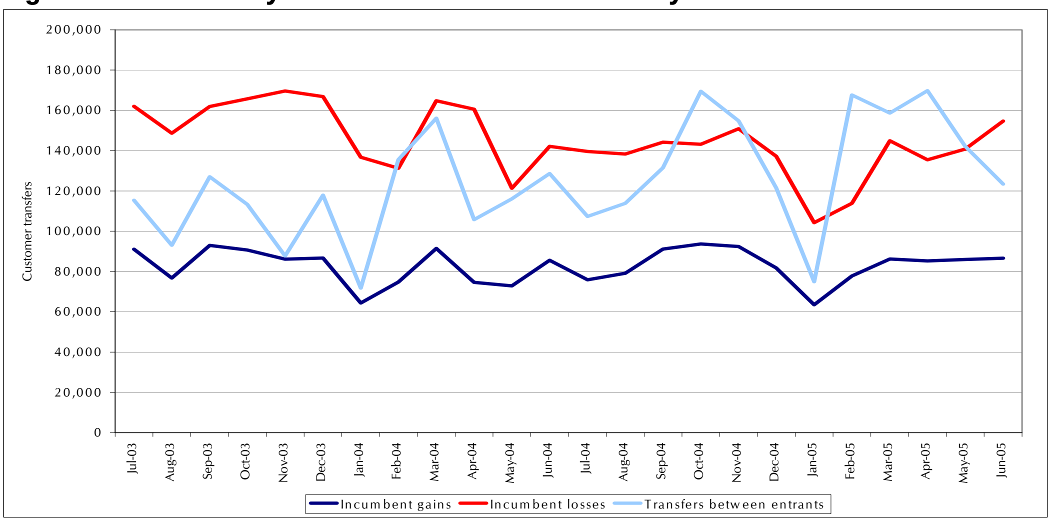
Sharp increases in the number of customers switching away from the gas incumbent followed its implementation of price rises in January 2004 and September 2004.

Figure 3.2: Monthly transfer flows in gas



Source: Domestic gas suppliers

Figure 3.3: Monthly transfer flows in electricity

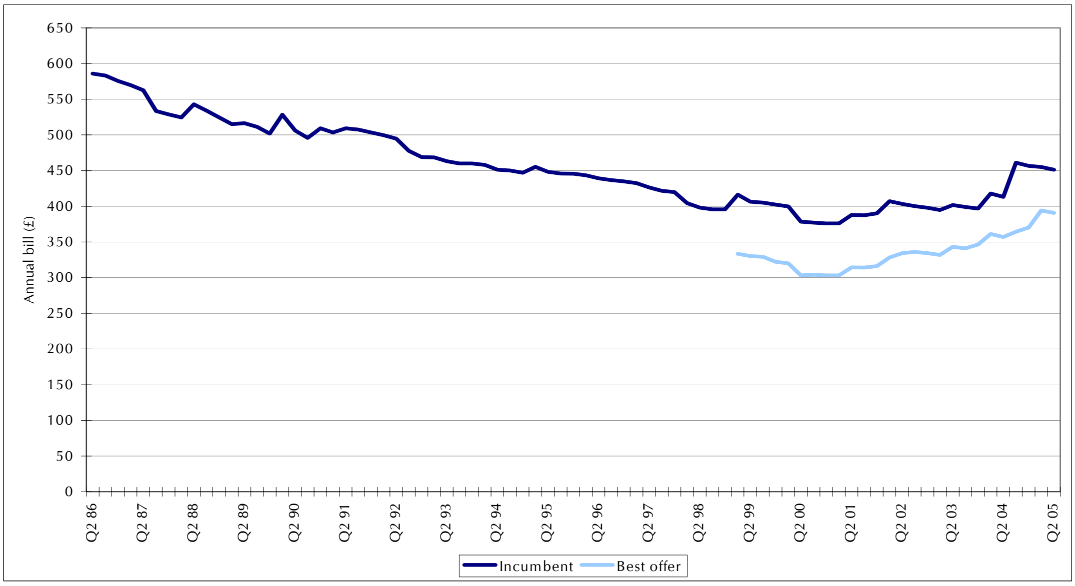


Source: Electricity distribution companies

4. Prices

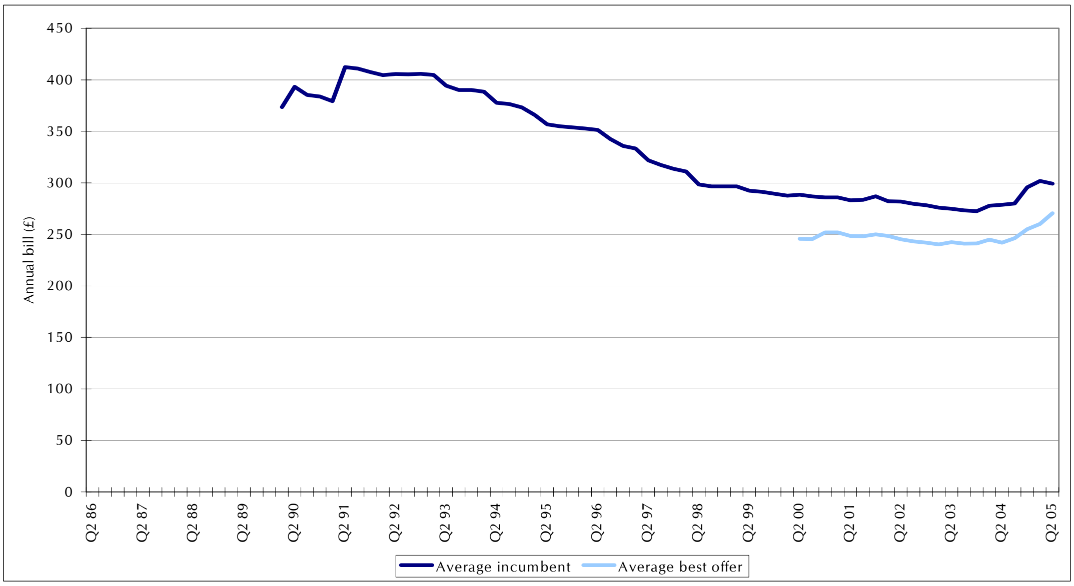
Figures 4.1 and 4.2 show the incumbent standard offer and the cheapest standard offer available in the market. These annual bills are based on medium consumption (3300kWh/a for electricity and 20500kWh/a for gas) and are calculated from standard credit tariffs open to new customers at the end of each quarter. The electricity figures are the mean values of the relevant regional bills.

Figure 4.1: Real annual gas bills since privatisation (Jun 05 prices)



Source: Ofgem

Figure 4.2: Real annual electricity bills since privatisation (Jun 05 prices)



Source: Ofgem

Table 4.1 illustrates the annual difference between the incumbent's standard tariff and the cheapest standard tariff open to new customers (as of 30 June 2005). The annual difference is calculated for bills for customers with medium consumption. Non-standard tariffs include internet tariffs, fixed-price, capped-price or tracker deals, and tariffs requiring payment of a membership fee. National figures are calculated by taking the mean values of the relevant regional figures.

At the end of June 2005, standard credit customers still on the standard tariff with the incumbent were on average paying £60 a year more than the best offer for gas and £28 more for electricity.

For standard credit and monthly direct debit, the best dual fuel offer is about £10 a year cheaper than the combination of the lowest individual gas and electricity offers. The opposite is true for prepayment.

Table 4.1: Potential savings compared to incumbents (June 2005)

Fuel type	Monthly Direct Debit		Standard Credit (SC)		Prepayment (PPM)	
	Incumbent Bill (£)	Potential Saving (£)	Incumbent Bill (£)	Potential Saving (£)	Incumbent Bill (£)	Potential Saving (£)
Electricity	288	33	299	28	306	39
Gas	405	28	451	60	451	53
Electricity and gas	693	61	750	88	757	92
Dual fuel	n/a	70	n/a	99	n/a	84

Source: Ofgem
Tariff data source: TheEnergyShop.com

Table 4.2 shows the difference in bills paid by customers who are with the same supplier but use different payment methods. The difference is calculated between annual bills based on offers available to new customers (as of 30 June 2005) with medium consumption on standard tariffs. National figures are calculated by taking the mean values of the relevant regional figures. The average entrant figure is the median figure for non-incumbent suppliers (based on their average national bills).

The savings available for switching between different payment methods without a change of supplier are generally larger in gas than in electricity.

Table 4.2: Potential savings available for switching between different payment methods (June 2005)

Fuel type	Saving made by switching from SC to MDD		Saving made by switching from PPM to SC		Saving made by switching from PPM to MDD	
	Incumbent (£)	Average Entrant (£)	Incumbent (£)	Average Entrant (£)	Incumbent (£)	Average Entrant (£)
Electricity	11	10	7	5	18	13
Gas	46	19	0	29	46	43
Electricity and gas	58	29	7	34	64	56
Dual fuel	n/a	42	n/a	24	n/a	72

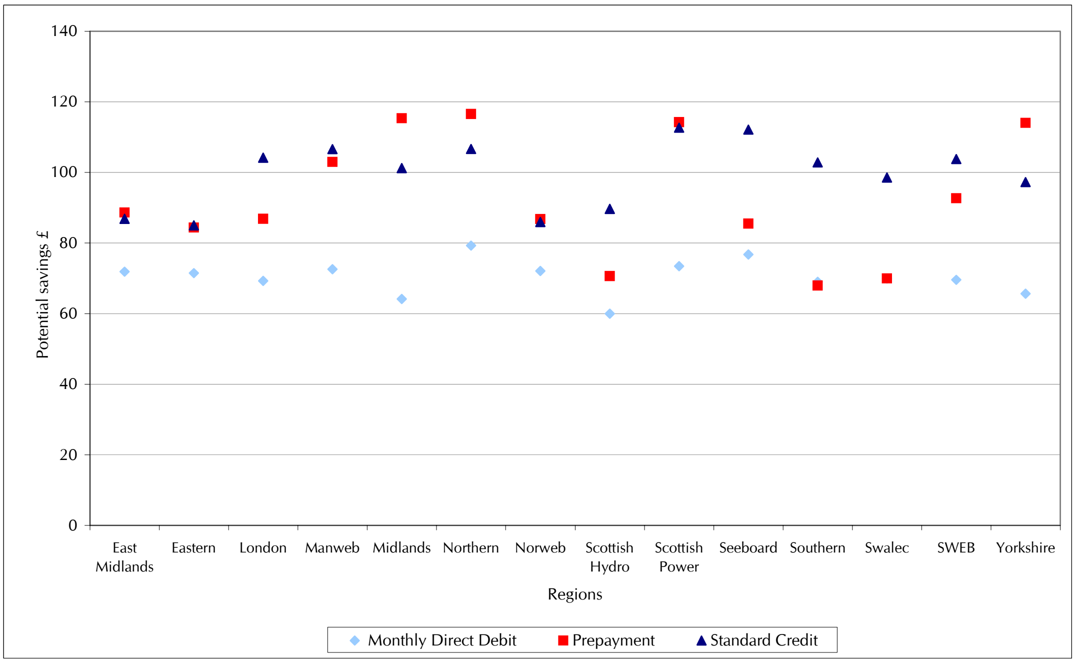
Source: Ofgem
Tariff data source: TheEnergyShop.com

Figure 4.3 provides a snapshot of the difference between the gas and electricity incumbents' tariffs and the cheapest gas and electricity tariffs (as of 30 September 2005).

These differences are calculated by comparing the sum of annual incumbent bills for gas and electricity with the cheapest combined annual bill for gas and electricity. This is defined as the minimum of the best dual fuel offer and the sum of the best individual offers for gas and electricity. These bills are calculated for customers with medium consumption and are based on standard tariffs available to new customers. Non-standard tariffs include internet tariffs, fixed-price, capped-price or tracker deals, and tariffs requiring payment of a membership fee.

In all 14 regions and for all three payment methods, annual savings of over £60 were available at the end of June 2005 to customers still on standard tariffs with both incumbent suppliers. In general, the greatest savings are available to customers on standard credit or prepayment rather than direct debit.

Figure 4.3: Potential savings for energy customers on standard tariffs who have never switched energy supplier (June 2005)



Source: Ofgem
Tariff data source: TheEnergyShop.com

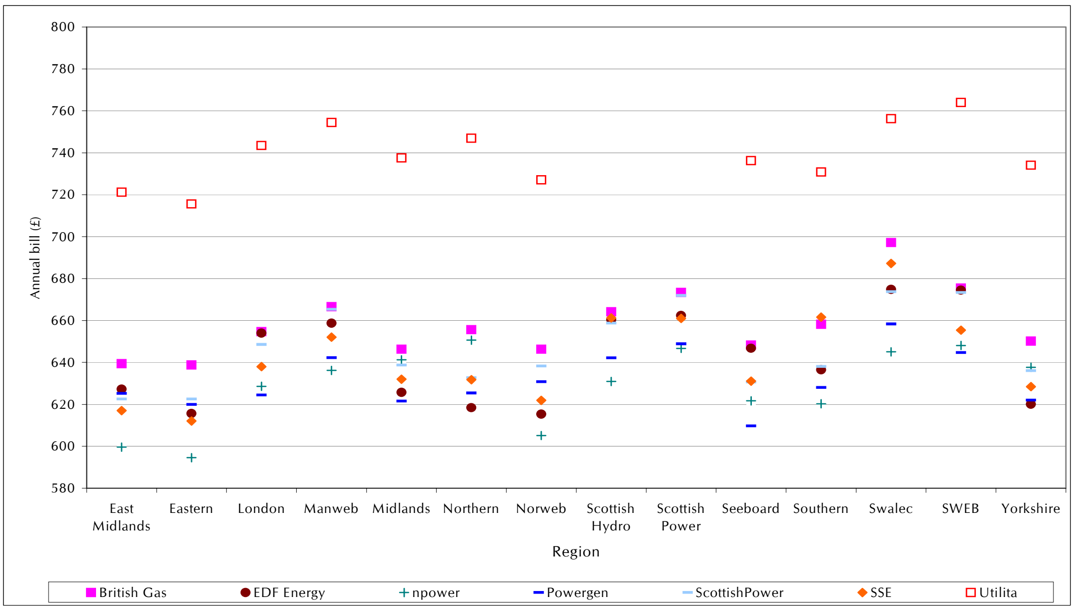
Figures 4.4 to 4.12 provide information on standard price offers available to new customers on 30 June 2005. The nine charts show the offers available for each payment method for gas, for electricity and for dual fuel. These charts provide information on indicators of interest, such as the range and distribution of annual bills. In addition, they illustrate the extent to which suppliers differentiate their pricing strategy between their incumbent and non-incumbent sectors.

Each chart is only a snapshot which captures suppliers' prices on a given date. Therefore, the timing of a supplier's pricing changes may affect its relative position in the chart. However, the appendices to this report contain similar charts showing offers available on 30 June 2004 and 31 December 2004. Therefore, the charts in the appendices can be combined with figures 4.4 to 4.12 to build a more developed picture of pricing patterns in the domestic energy supply market. Comparing charts produced for different dates will highlight the impact of price changes on pricing patterns in the market, as well as illustrating the potential implications of entry and exit by different suppliers.

Figures 4.4 to 4.12 show that for all payment methods and fuel types, there remains a range of offers available in all regions. For each payment method, suppliers generally continue to set different electricity prices in each region but offer the same gas tariff across all regions.

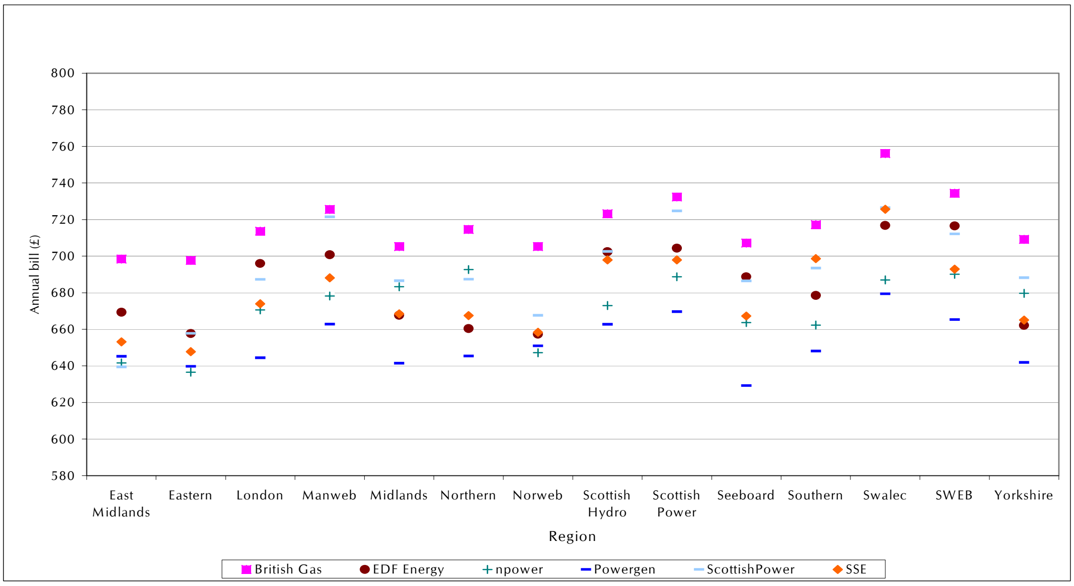
The figure below should be not used to compare prices of individual suppliers when making switching decisions as it only provides a snapshot of standard price offers available to new customers on 30 June 2005. The chart is only calculated for medium consumption and does not take account of preserved tariffs or non-standard offers, such as internet tariffs, fixed-price, capped-price or tracker deals, and tariffs requiring payment of a membership fee. Information making a more comprehensive and up-to-date price comparison is available from the energywatch website (www.energywatch.org.uk).

Figure 4.4: MDD dual fuel bills - open to new customers (30 June 2005)



Source: Ofgem Tariff data source: TheEnergyShop.com

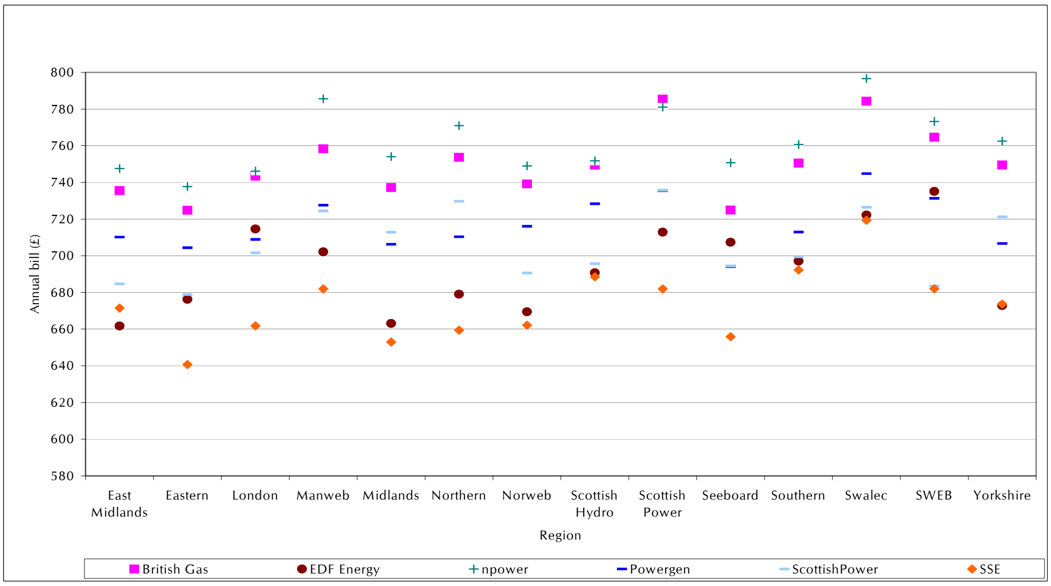
Figure 4.5: SC dual fuel bills - open to new customers (30 June 2005)



Source: Ofgem Tariff data source: TheEnergyShop.com

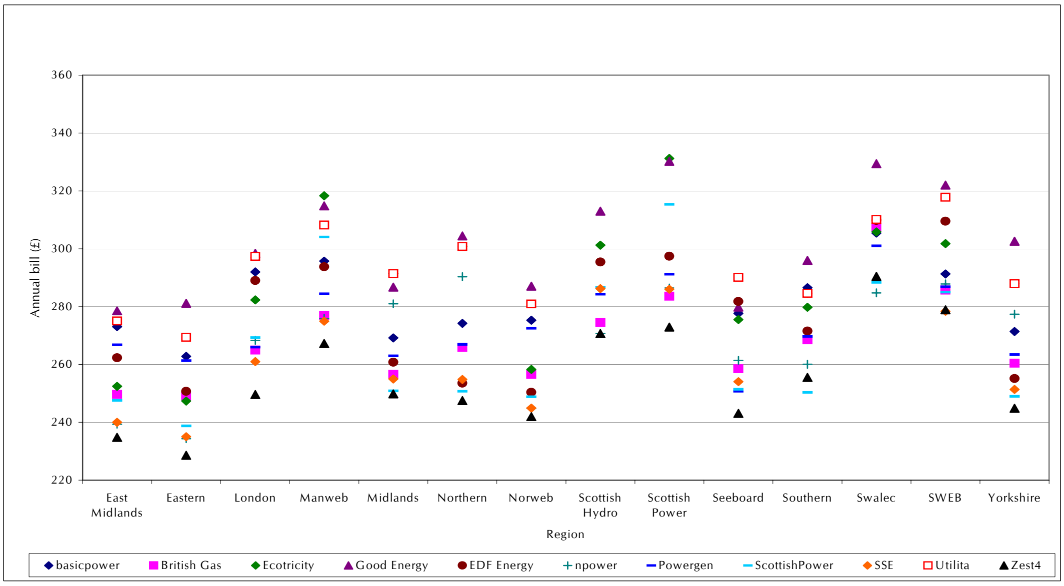
These figures should not be used to compare prices of individual suppliers when making switching decisions as they only provide a snapshot of standard price offers available to new customers on 30 June 2005. The charts are only calculated for medium consumption and do not take account of preserved tariffs or non-standard offers, such as internet tariffs, fixed-price, capped-price or tracker deals, and tariffs requiring payment of a membership fee. Information making a more comprehensive and up-to-date price comparison is available from the energywatch website (www.energywatch.org.uk).

Figure 4.6: PPM dual fuel bills - open to new customers (30 June 2005)



Source: Ofgem Tariff data source: TheEnergyShop.com

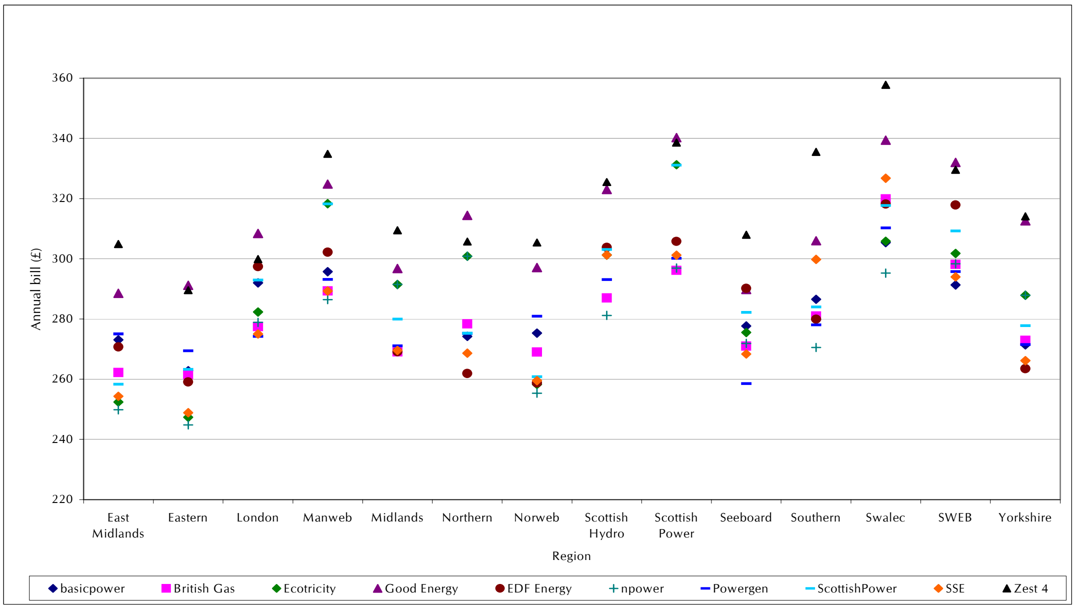
Figure 4.7: MDD electricity bills – open to new customers (30 June 2005)



Source: Ofgem Tariff data source: TheEnergyShop.com

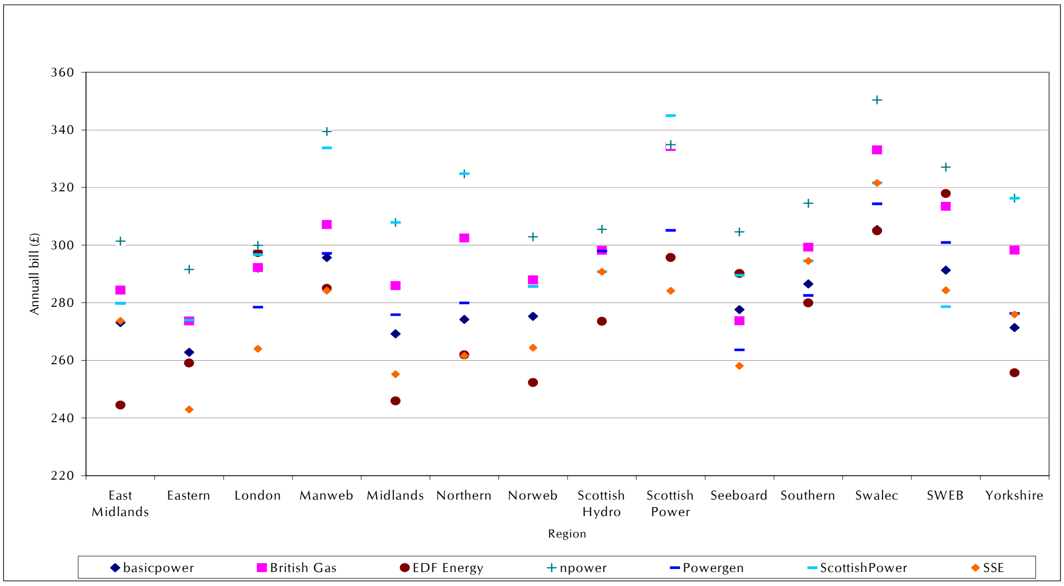
These figures should not be used to compare prices of individual suppliers when making switching decisions as they only provide a snapshot of standard price offers available to new customers on 30 June 2005. The charts are only calculated for medium consumption and do not take account of preserved tariffs or non-standard offers, such as internet tariffs, fixed-price, capped-price or tracker deals, and tariffs requiring payment of a membership fee. Information making a more comprehensive and up-to-date price comparison is available from the energywatch website (www.energywatch.org.uk).

Figure 4.8: SC electricity bills – open to new customers (30 June 2005)



Source: Ofgem Tariff data source: TheEnergyShop.com

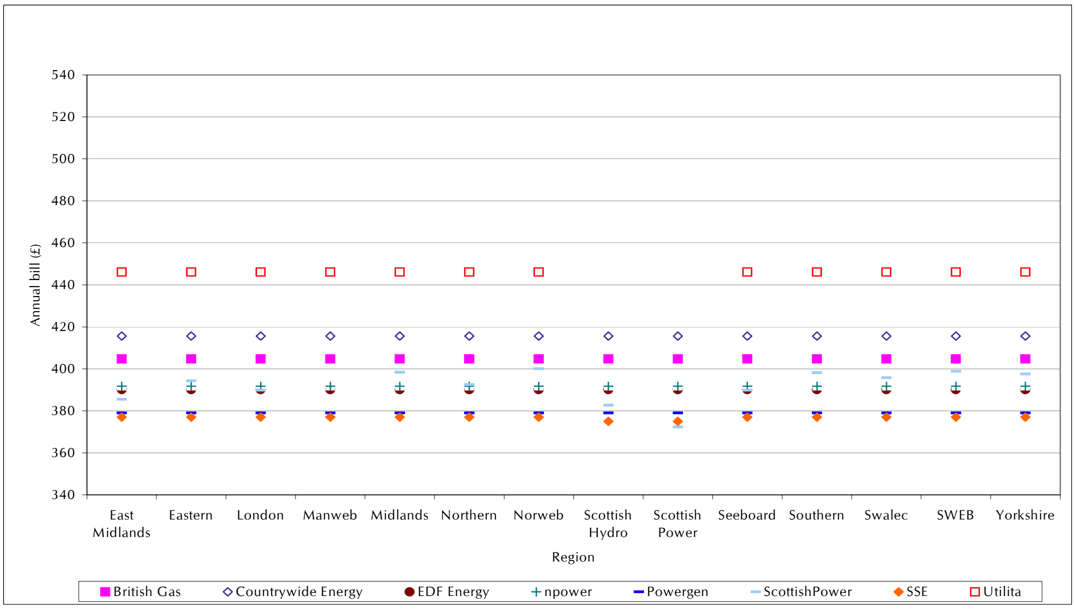
Figure 4.9: PPM electricity bills – open to new customers (30 June 2005)



Source: Ofgem Tariff data source: TheEnergyShop.com

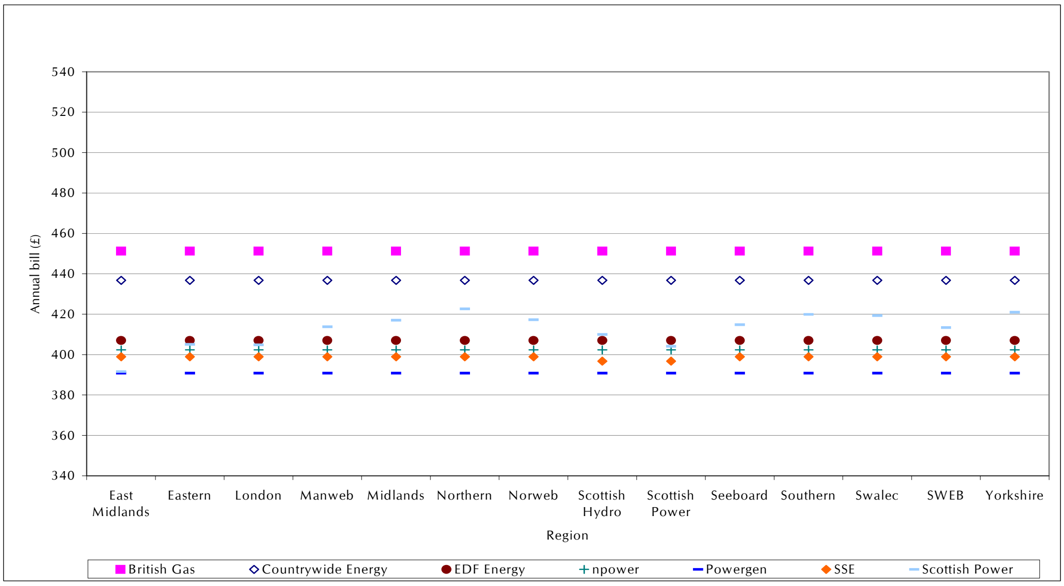
These figures should not be used to compare prices of individual suppliers when making switching decisions as they only provide a snapshot of standard price offers available to new customers on 30 June 2005. The charts are only calculated for medium consumption and do not take account of preserved tariffs or non-standard offers, such as internet tariffs, fixed-price, capped-price or tracker deals, and tariffs requiring payment of a membership fee. Information making a more comprehensive and up-to-date price comparison is available from the energywatch website (www.energywatch.org.uk).

Figure 4.10: MDD gas bills - open to new customers (30 June 2005)



Source: Ofgem Tariff data source: TheEnergyShop.com

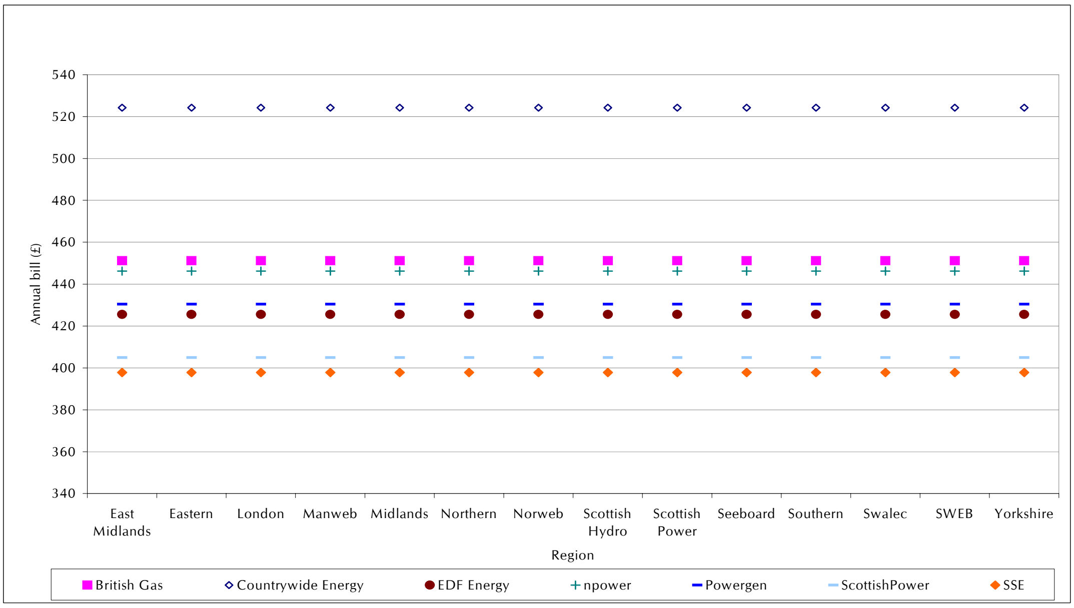
Figure 4.11: SC gas bills – open to new customers (30 June 2005)



Source: Ofgem Tariff data source: TheEnergyShop.com

These figures should not be used to compare prices of individual suppliers when making switching decisions as they only provide a snapshot of standard price offers available to new customers on 30 June 2005. The charts are only calculated for medium consumption and do not take account of preserved tariffs or non-standard offers, such as internet tariffs, fixed-price, capped-price or tracker deals, and tariffs requiring payment of a membership fee. Information making a more comprehensive and up-to-date price comparison is available from the energywatch website (www.energywatch.org.uk).

Figure 4.12: PPM gas bills –open to new customers (30 June 2005)



Source: Ofgem Tariff data source: TheEnergyShop.com

Appendices

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Appendix 1 - Feedback

1.1. Ofgem would like to hear the views of interested parties in relation to the form, style and content of this report.

1.2. Comments should be sent to:

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Email: gary.keane@ofgem.gov.uk

1.3. Unless marked confidential, responses may be published by placing them in Ofgem's library and on its website www.ofgem.gov.uk. Respondents may request that their response is kept confidential. Ofgem shall respect this request, subject to any obligations to disclose information, for example, under the Freedom of Information Act 2000 or the Environmental Information Regulations 2004.

1.4. Respondents who wish to have their responses remain confidential should clearly mark the document/s to that effect and include the reasons for confidentiality. It would be helpful if responses could be submitted both electronically and in writing. Respondents are asked to put any confidential material in the appendices to their responses.

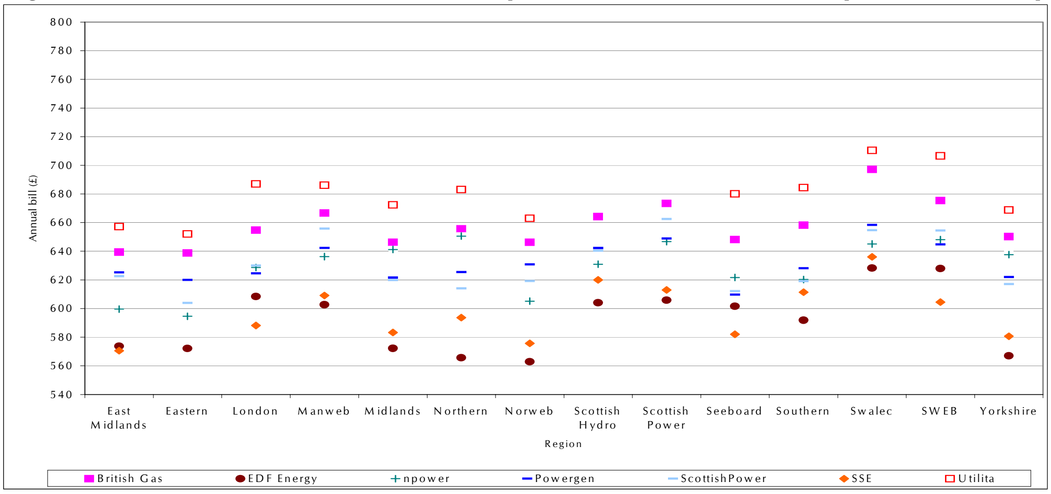
1.5. Any questions on this document should, in the first instance, be directed to:

Gary Keane
Senior Manager, Retail Competition
Ofgem
9 Millbank
London
SW1P 3GE

Tel: 020 7901 7330
Email: gary.keane@ofgem.gov.uk

Appendix 2 - Prices (31 December 2004)

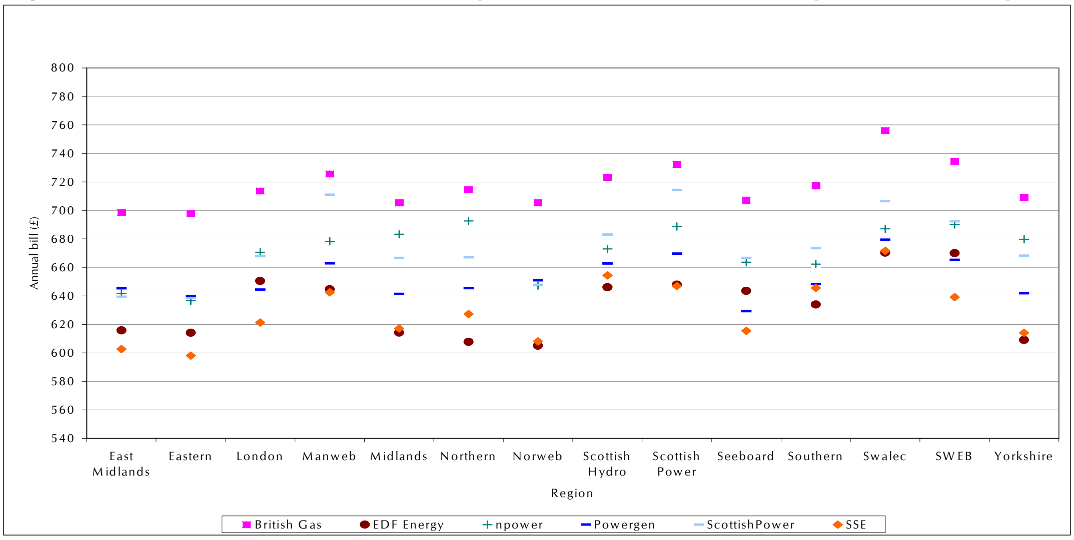
Figure A2.1: MDD dual fuel bills - open to new customers (31 Dec 2004)



Source: Ofgem Tariff data source: TheEnergyShop.com

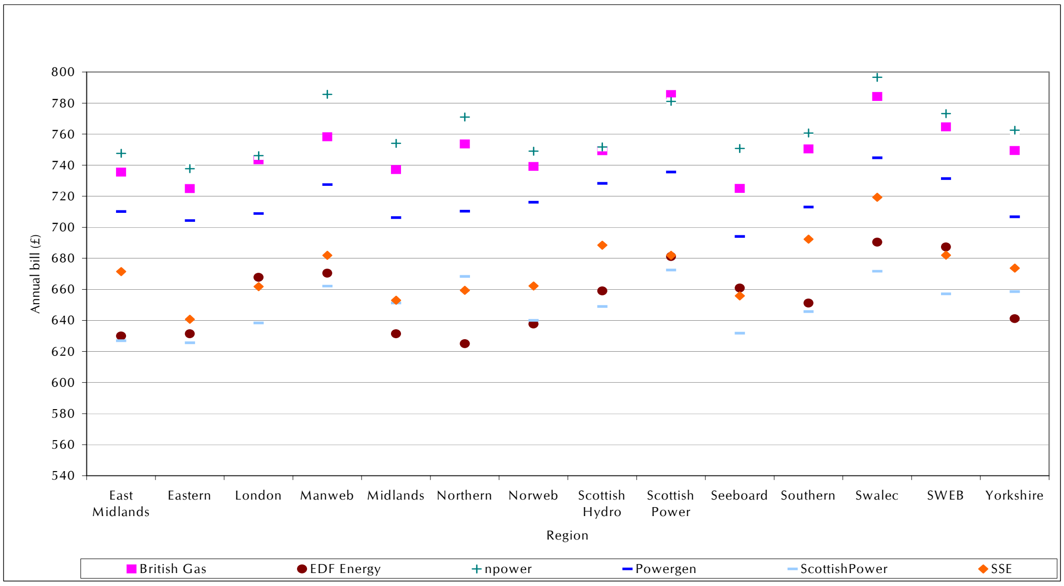
These figures should not be used to compare prices of individual suppliers when making switching decisions as they only provide a snapshot of standard price offers available to new customers on 31 December 2004. The charts are only calculated for medium consumption and do not take account of preserved tariffs or non-standard offers, such as internet tariffs, fixed-price, capped-price or tracker deals, and tariffs requiring payment of a membership fee. Information making a more comprehensive and up-to-date price comparison is available from the energywatch website (www.energywatch.org.uk).

Figure A2.2: SC dual fuel bills - open to new customers (31 Dec 2004)



Source: Ofgem Tariff data source: TheEnergyShop.com

Figure A2.3: PPM dual fuel bills - open to new customers (31 Dec 2004)



Source: Ofgem Tariff data source: TheEnergyShop.com

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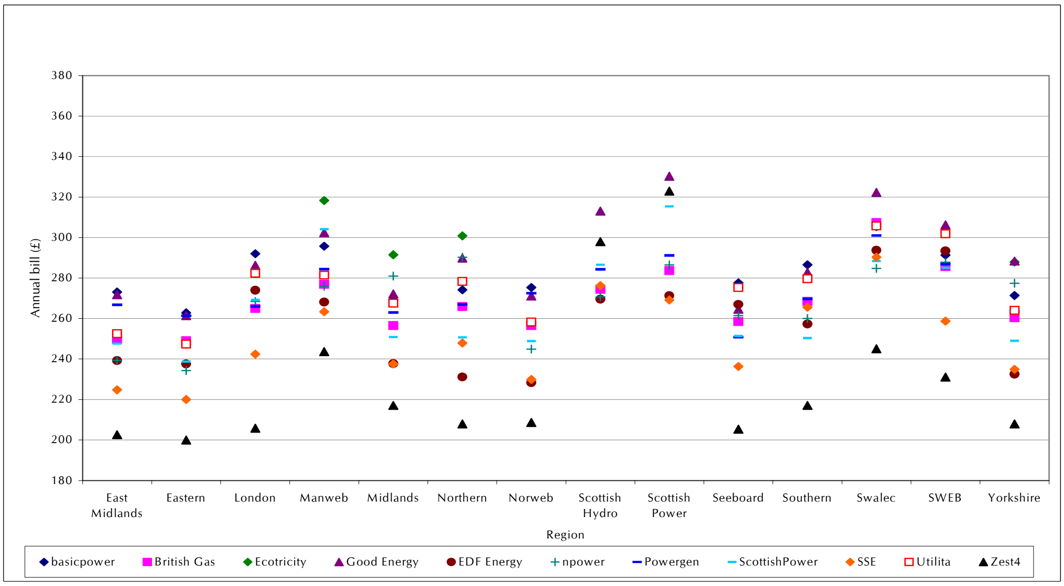
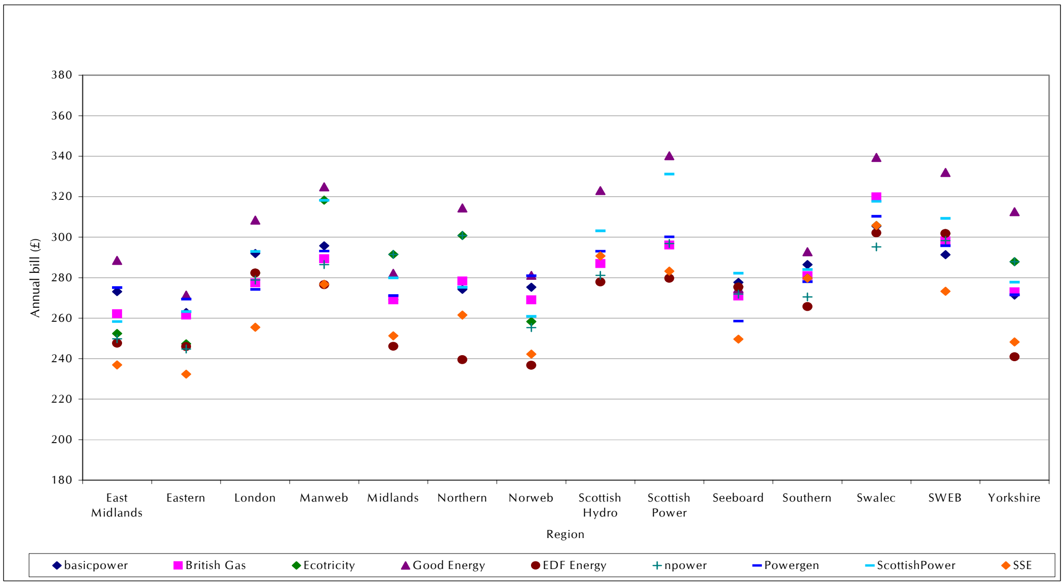
Figure A2.4: MDD electricity bills – open to new customers (31 Dec 2004)



Source: Ofgem Tariff data source: TheEnergyShop.com

Figure A2.5: SC electricity bills – open to new customers (31 Dec 2004)



Source: Ofgem Tariff data source: TheEnergyShop.com

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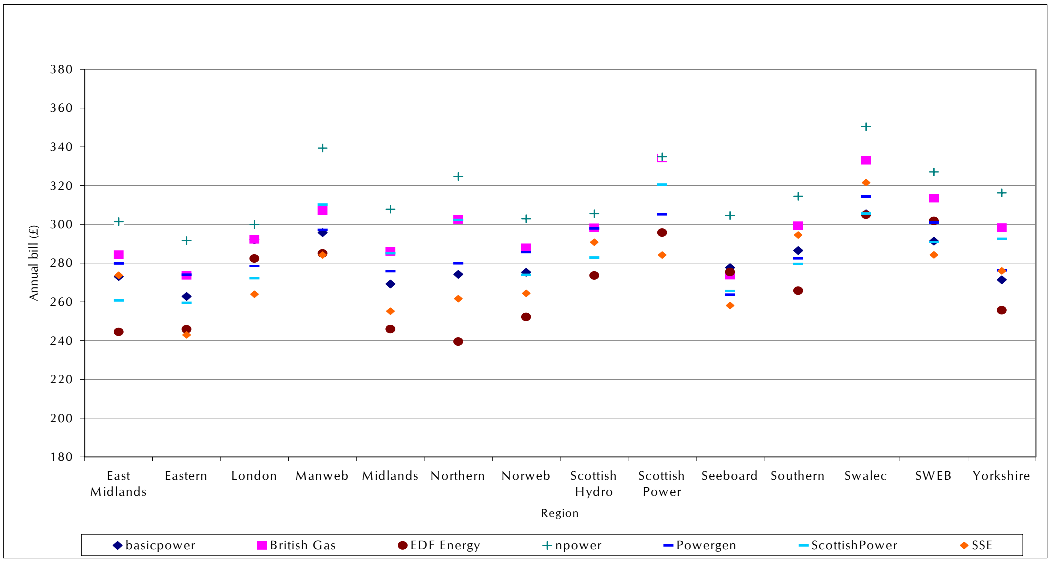
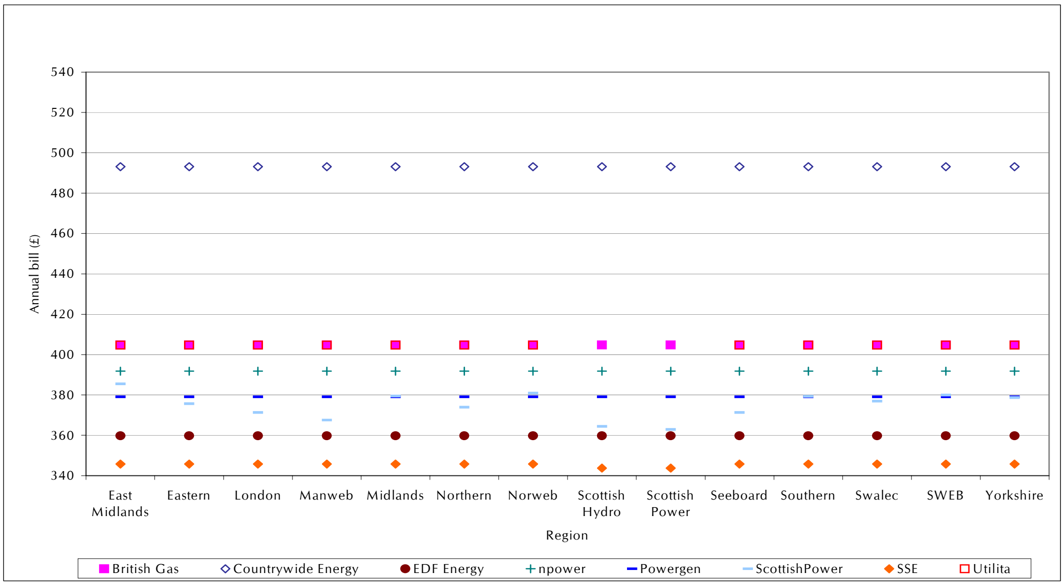
Figure A2.6: PPM electricity bills – open to new customers (31 Dec 2004)



Source: Ofgem Tariff data source: TheEnergyShop.com

Figure A2.7: MDD gas bills - open to new customers (31 Dec 2004)



Source: Ofgem Tariff data source: TheEnergyShop.com

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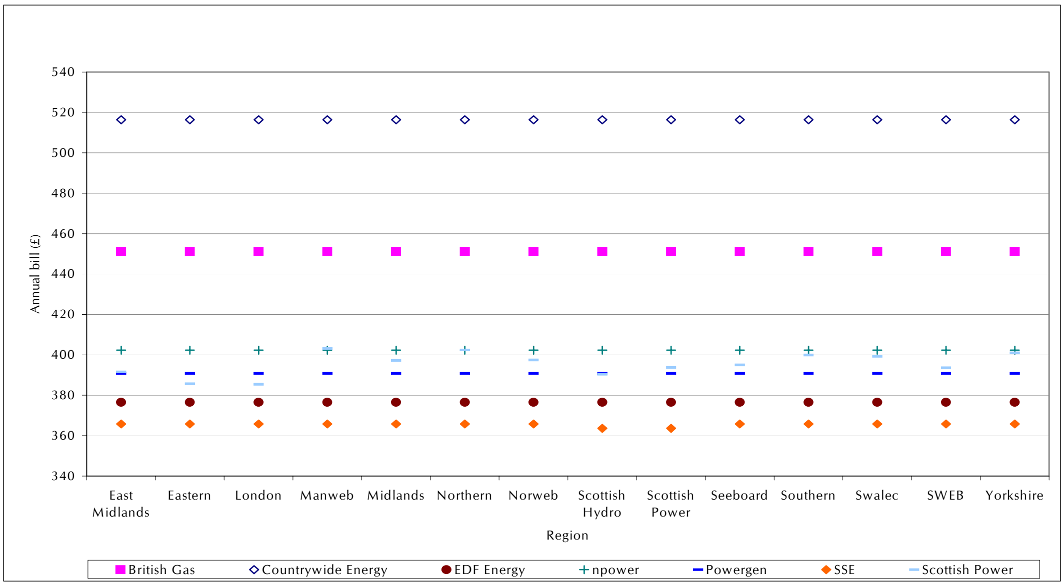
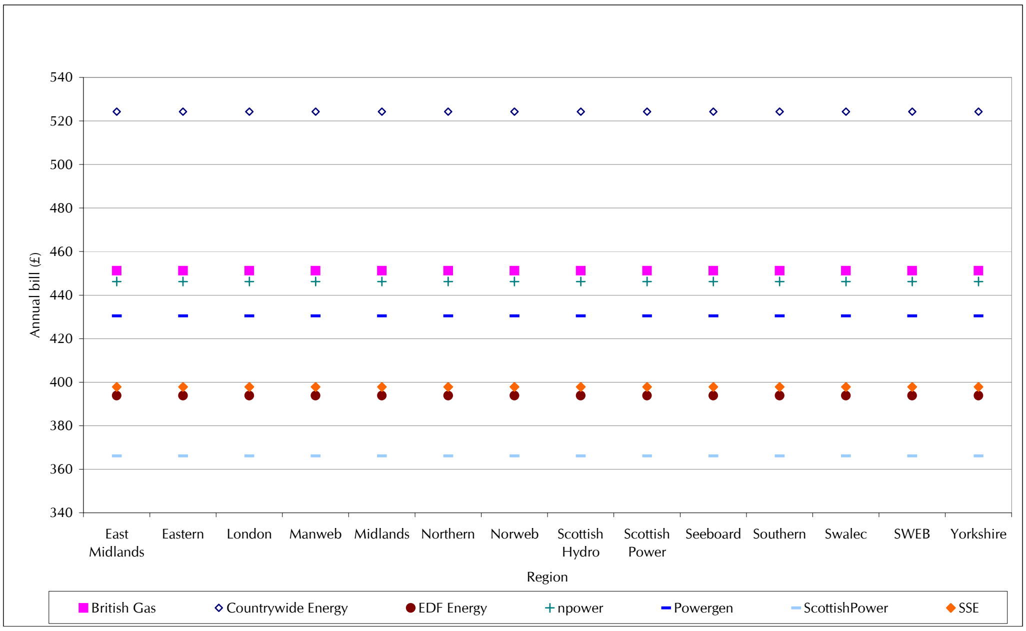
Figure A2.8: SC gas bills – open to new customers (31 Dec 2004)



Source: Ofgem Tariff data source: TheEnergyShop.com

The figure below should not be used to compare prices of individual suppliers when making switching decisions as it only provides a snapshot of standard price offers available to new customers on 31 December 2004. The chart is only calculated for medium consumption and does not take account of preserved tariffs or non-standard offers, such as internet tariffs, fixed-price, capped-price or tracker deals, and tariffs requiring payment of a membership fee. Information making a more comprehensive and up-to-date price comparison is available from the energywatch website (www.energywatch.org.uk).

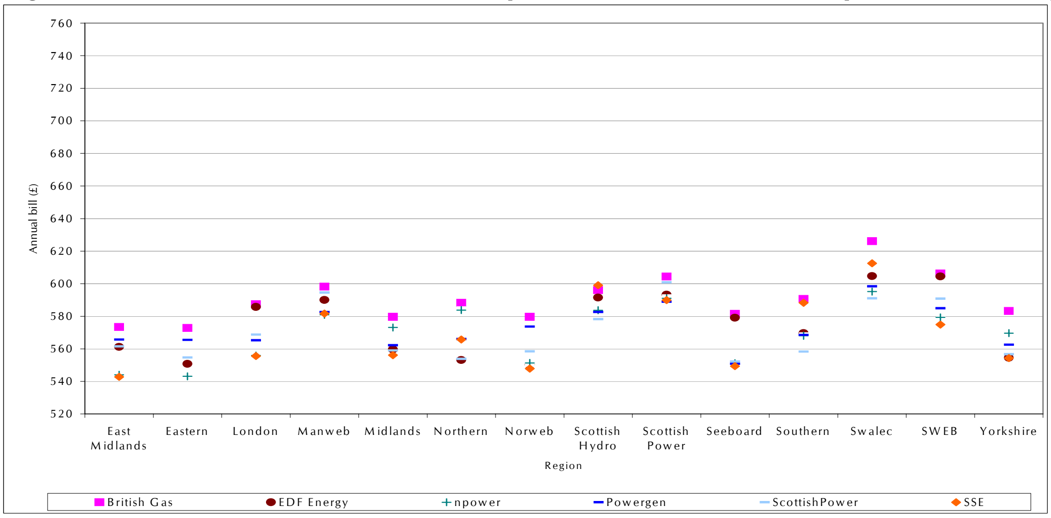
Figure A2.9: PPM gas bills – open to new customers (31 Dec 2004)



Source: Ofgem Tariff data source: TheEnergyShop.com

Appendix 3 - Prices (30 June 2004)

Figure A3.1: MDD dual fuel bills - open to new customers (30 June 2004)



Source: Ofgem Tariff data source: TheEnergyShop.com

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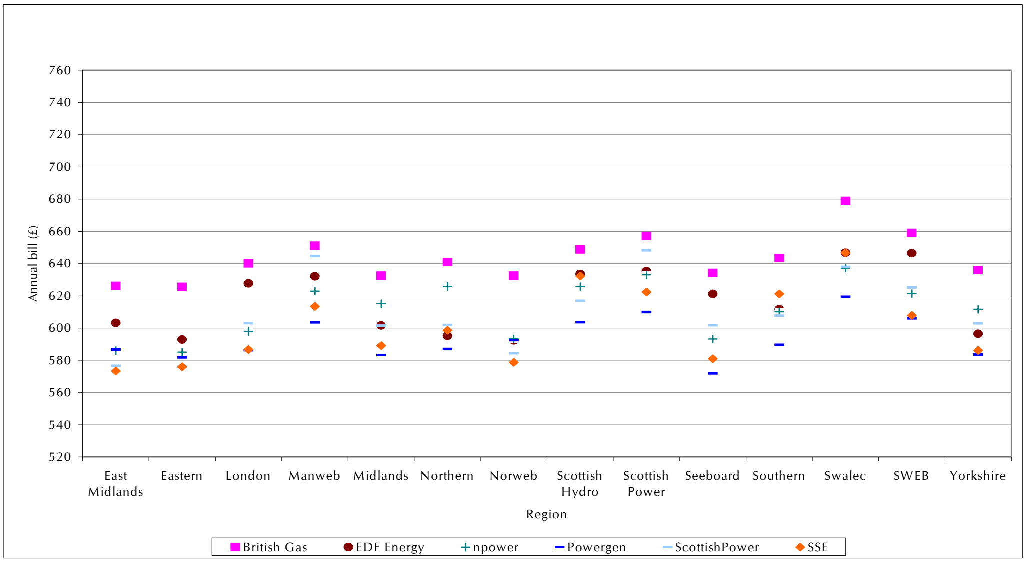
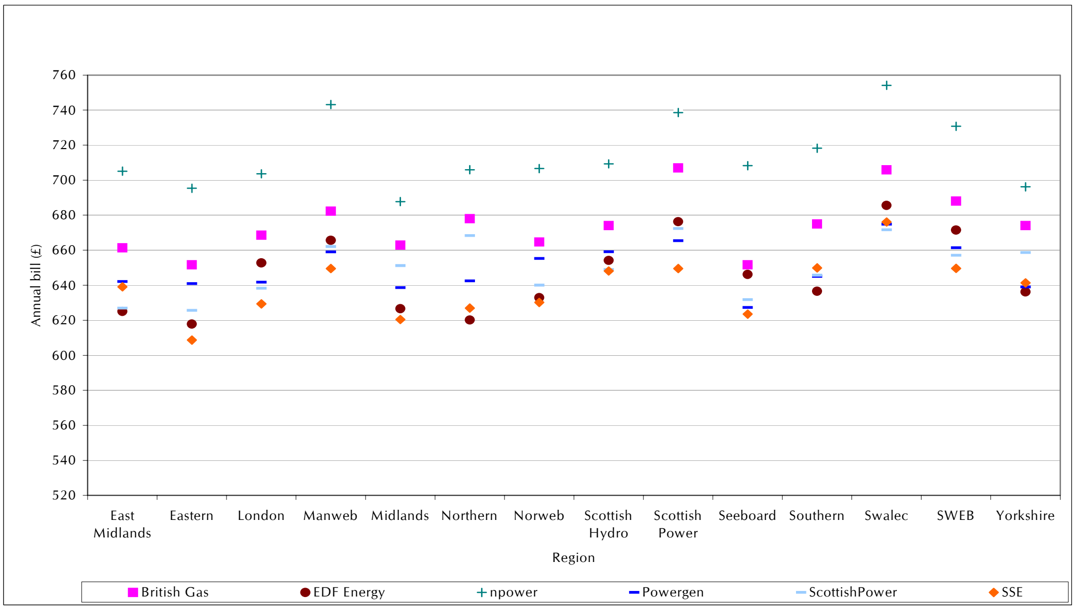
Figure A3.2: SC dual fuel bills - open to new customers (30 June 2004)



Source: Ofgem Tariff data source: TheEnergyShop.com

Figure A3.3: PPM dual fuel bills - open to new customers (30 June 2004)



Source: Ofgem Tariff data source: TheEnergyShop.com

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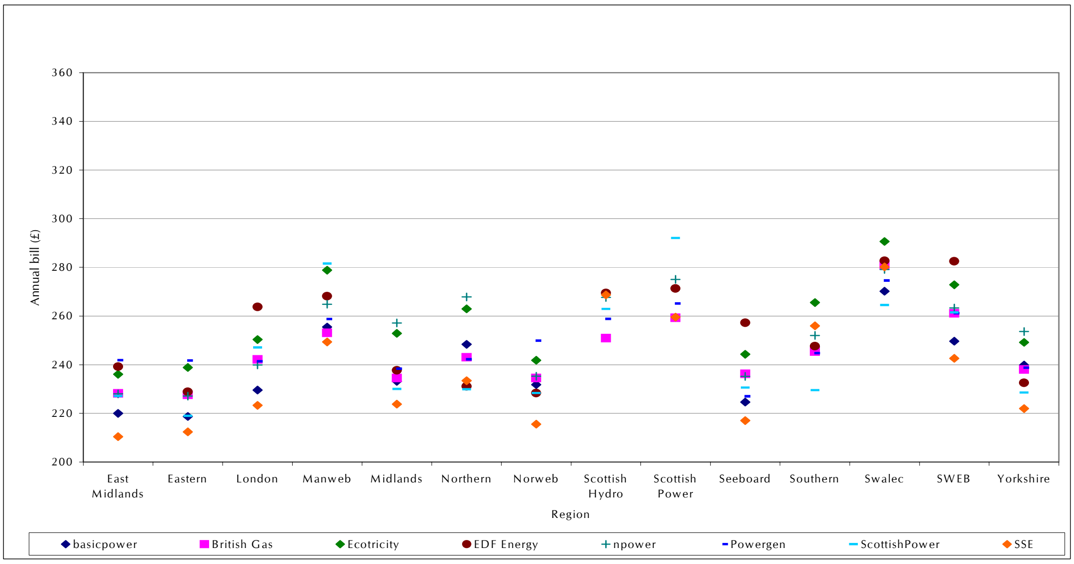
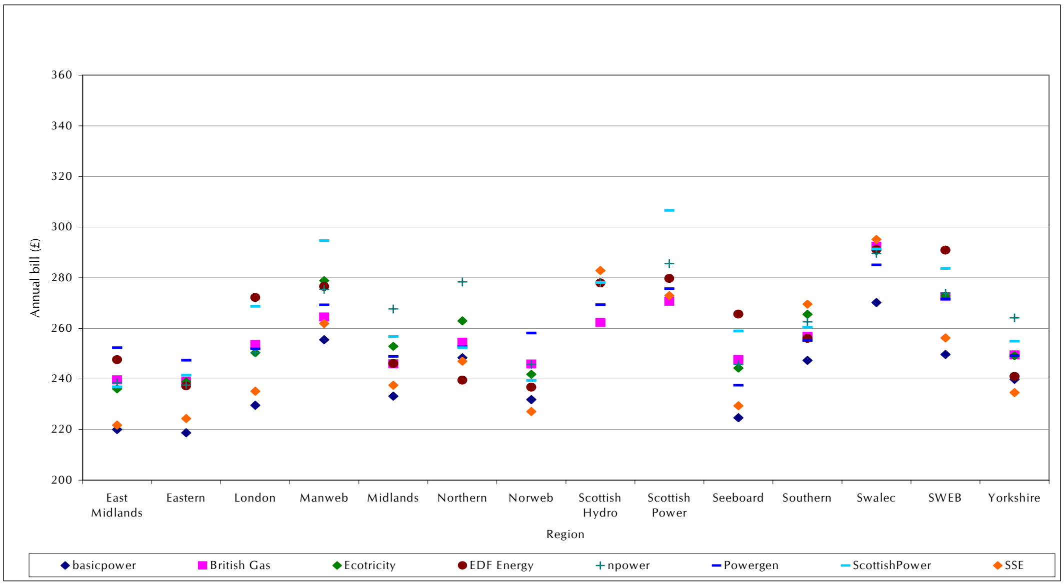
Figure A3.4:MDD electricity bills – open to new customers (30 June 2004)



Source: Ofgem Tariff data source: TheEnergyShop.com

Figure A3.5: SC electricity bills – open to new customers (30 June 2004)



Source: Ofgem Tariff data source: TheEnergyShop.com

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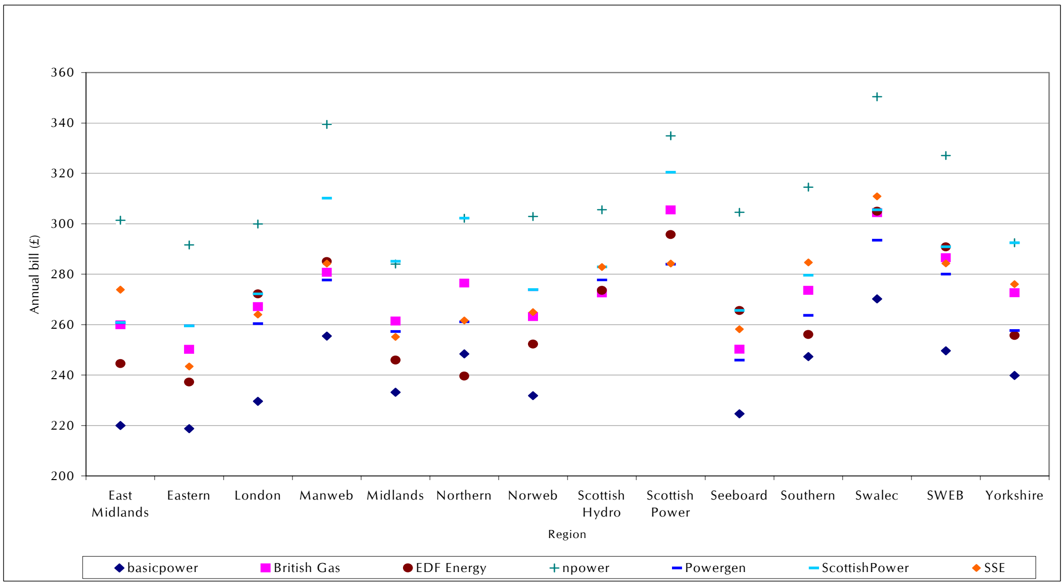
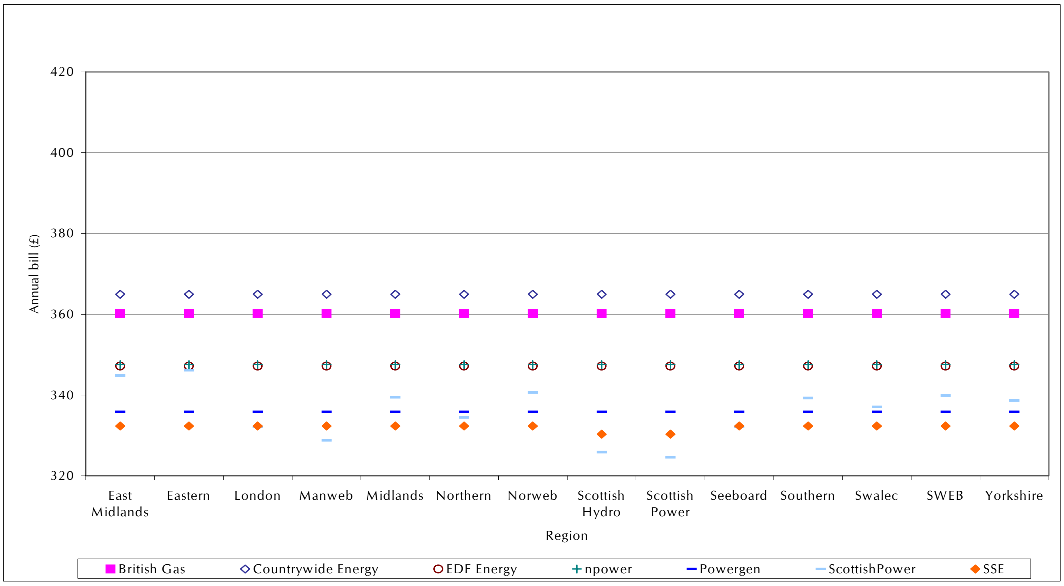
Figure A3.6:PPM electricity bills – open to new customers (30 June 2004)



Source: Ofgem Tariff data source: TheEnergyShop.com

Figure A3.7:MDD gas bills - open to new customers (30 June 2004)



Source: Ofgem Tariff data source: TheEnergyShop.com

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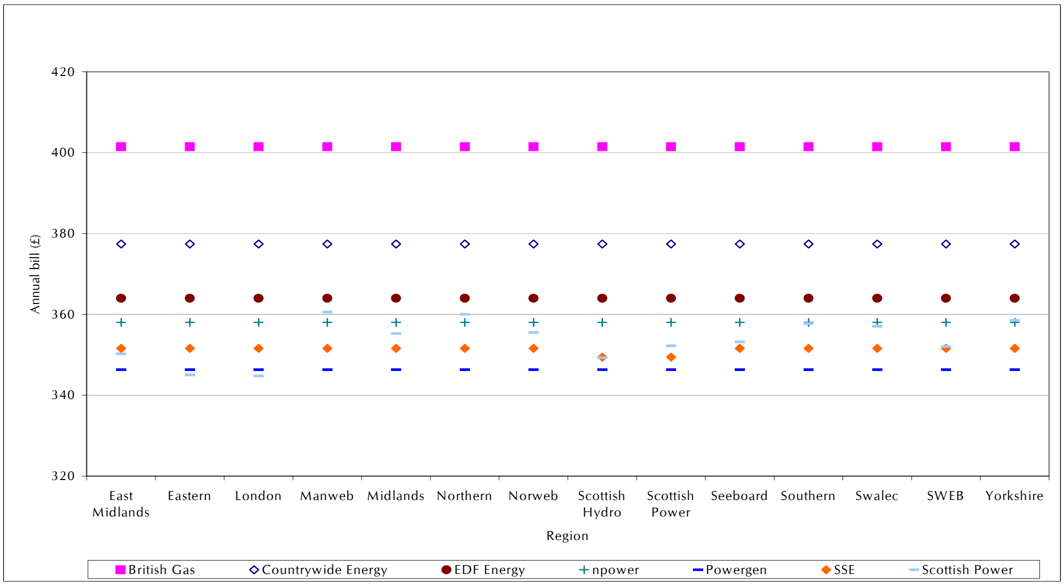
Figure A3.8: SC gas bills – open to new customers (30 June 2004)



Source: Ofgem Tariff data source: TheEnergyShop.com

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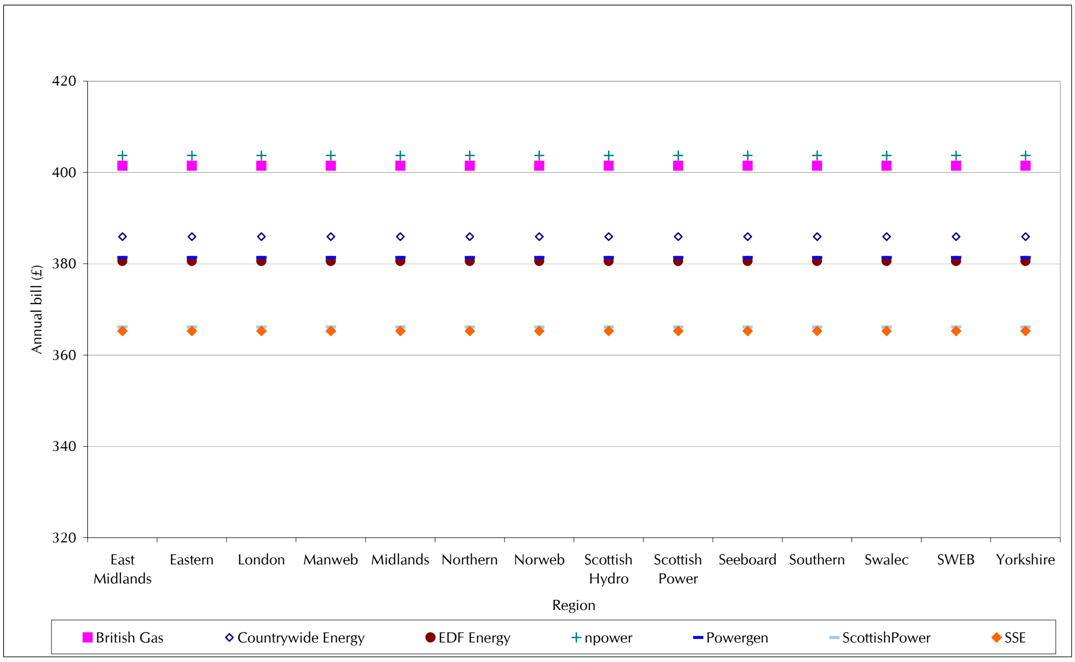
Figure A3.9: PPM gas bills – open to new customers (30 June 2004)



Source: Ofgem Tariff data source: TheEnergyShop.com

Appendix 4 - Ofgem's statutory responsibilities

4.1. Ofgem is the Office of Gas and Electricity Markets, regulating the gas and electricity industries in Great Britain. Ofgem operates under the direction and governance of the Gas and Electricity Markets Authority. The Gas and Electricity Markets Authority has the ultimate responsibility for all that Ofgem does. It determines strategy and decides on major policy issues.

4.2. Ofgem's powers and duties are provided for under the Gas Act 1986, the Electricity Act 1989, as amended principally by the Utilities Act 2000, Competition Act 1998, Enterprise Act 2002 and Energy Act 2004. Ofgem has concurrent powers with the Office of Fair Trading ("OFT") to apply the Competition Act 1998 to the gas and electricity sectors in Great Britain.

4.3. Ofgem's principal objective is to protect the interests of consumers present and future, wherever appropriate by promoting effective competition. We must also have regard to:

- the need to ensure that all reasonable demands for electricity and, so far as is economical, gas are met
- the need to secure that licence holders are able to finance their obligations, and
- the interests of those people who are disabled or chronically sick, of pensionable age, living on low incomes, or living in rural areas.

4.4. We are also required to carry out our functions in the manner, which we consider best calculated:

- to promote efficiency and economy including efficient use of energy
- to protect the public from dangers
- to contribute to the achievement of sustainable development
- to secure a diverse and viable long term energy supply, and
- shall have regard, in carrying out those functions, to the impact on the environment of the gas and electricity industries.

4.5. In carrying out our functions we must also have regard to the principles under which regulatory activities should be transparent, accountable, proportionate, consistent and targeted only at cases in which action is needed; and any other principles that appear to us to represent the best regulatory practice.

4.6. Furthermore, we must have regard to social and environmental guidance issued by Ministers. Ofgem also has a duty to consult and take into account any advice given by the Health and Safety Executive about all gas and electricity safety issues that may be relevant to our functions under the Gas Act and the Electricity Act.

Appendix 5 - Glossary

A

Annual bill

The annual bill is the amount that a customer would have to pay for gas and electricity over one whole year.

B

BGT

British Gas Trading Ltd, formerly part of British Gas plc, now part of Centrica plc.

D

DNO

Distributor Network Operators, also referred to as ex-PES Distributors and distribution companies.

DUoS

Distribution Use of System charges are charges paid by electricity suppliers to distribution companies for use of the distribution networks.

Dual fuel

A dual fuel customer is a customer that takes gas and electricity from the same supplier.

E

EA89

Electricity Act 1989

energywatch

The customer watchdog for gas and electricity markets in the UK. Energywatch can be contacted via their website at www.energywatch.org.uk or by calling their helpline number on 08459 06 07 08.

Entrant

An entrant in the gas supply sector refers to all gas suppliers except BGT. This includes the incumbent electricity suppliers.

In the electricity sector, each region was supplied by a single supplier prior to market opening. In any one region, entrants are defined as entrants as all suppliers other than those in the same supply group as the former incumbent supplier in the region. This includes BGT and supply groups containing former incumbent suppliers from other regions.

G

Gains and losses

When a customer completes a switch to (from) a supplier, a gain (loss) is recorded for that supplier. Over a period of time, the result of these customer flows to and from a supplier is a net fall or rise in a supplier's customer numbers. A review of the magnitude of customer movement to and away from a supplier can therefore indicate market activity that may not be immediately apparent from a review of other indicators, such as market share.

GA86

Gas Act 1986

I

Incumbent

An incumbent is the group containing the former monopoly supplier in a particular sector. The incumbent in each region for electricity is the supply group containing the ex-PES. British Gas is the incumbent in the gas market. Prior to the introduction of competition into domestic gas and electricity supply, all household customers were with BGT for gas and the regional incumbent supplier for electricity.

K

kWh

kilowatt-hour is a unit used to measure energy consumption in both electricity and gas.

M

Market share

This is a measure of industry concentration. In this report, it shows the proportion of total customers (as proxied by the number of meter points) within a market that are registered to a particular supply group.

Medium consumption

Usage of 3300 kWh per year in electricity and 20500 kWh per year in gas.

MDD

Direct debit (DD) is a method of payment where a fixed amount is taken from a bank account each month, quarter or year. In this report, direct debit refers to monthly direct debit (MDD) only - suppliers typically offer a discount to customers who use this payment method.

N

Net switching

For gas, net switching refers to the proportion of customers no longer registered with BGT. For electricity, the national net switching figure refers to the average proportion of customers no longer registered with their local incumbent electricity supplier. Although this indicator provides a measure of progress of competition, it can understate the progress of competition as it does not account for customers regained by BGT (gas) or the regional incumbent supplier (electricity). Net switching is the inverse of the incumbent market share.

Non-price offers

For the purposes of this report, this term refers to a broad range of inducements offered by a supplier that are designed to alter a customers' valuation of functionally identical products, ie gas and electricity.

Non-switcher

Customers who have never switched from their incumbent supplier, ie BGT in gas or regional incumbent in electricity.

P

PES

Public Electricity Supplier is the former term for the 14 companies in England, Wales and Scotland that from privatisation in 1990 until 1998 had a monopoly of electricity supply and distribution in their designated areas.

PPM

A prepayment meter (PPM) customer pays for energy by inserting electronic tokens, keys or cards into a PPM.

Preserved tariff

A preserved tariff remains open for existing customers. However, new customers are unable to gain access to it.

S

SC

Standard credit (SC) is a payment method that typically covers a wide range of payment mechanisms, including cash, cheque, credit card and standing order. A SC tariff is not available for PPM customers and does not attract a DD discount.

(Domestic energy) suppliers

Companies who sell energy to and bill household customers.

Switchers

Customers who have changed gas and/ or electricity supplier at least once.

V

VAT

Value Added Tax (VAT) is added to both gas and electricity domestic bills at a rate of 5 per cent. The annual bills shown in this report include VAT.