Deregulation of supply markets

• Gas industry privatised - 1986
• Electricity industry privatised - 1989
• Full competition in gas - 1998
• Full competition in electricity - 1999
• Direct debit tariffs removed from price control - 2000
• Gas supply price controls replaced with caps on differentials between tariffs - 2001
How competition shapes up

• Around 38 per cent of electricity customers and 37 per cent of gas customers have switched – higher than any other regulated utility

• Customers continue to switch at a rate of 100,000 and 67,000 a week

• 70 per cent of all gas customers and half of all electricity customers are on tariffs not subject to price controls

• Gas prices fallen 37% since 1986 and electricity prices by 28% since 1990
Key findings

• Customers on lower incomes now switching supplier at same rate as the better off.
• Overwhelming majority of customers find switching easy.
• No significant differences between the experiences of PPM customers and those on standard credit.
• Evidence of suppliers actively targeting PPM customers with discounts to switch supplier.
• Older people have not switched as much as other age groups - 30 per cent compared with 38 per cent on average
  - Ofgem will be working with Age Concern to raise awareness

• Electricity switching rates less in Scotland than England and Wales
  - Ofgem currently working on reforms to wholesale market to bring further pressure on retail prices

• Competition less developed for rural customers
  - raising awareness among this group Ofgem priority for 2002-2005
Ofgem’s proposals

• Competition in electricity and gas well-established

• High levels of switching, customer satisfaction and continued savings

• Supported by MORI research findings

• Price regulation no longer justified
Protecting customers in the future

• Monitoring competition

• Where necessary, use Competition Act powers to tackle market abuse

• Range of measures under Social Action Plan to help vulnerable and low income customers suffering fuel poverty

• Continuing work with energywatch and others to make it easier for customers to choose and change supplier

• Enforce licence requirements where these apply
Improving switching process

• 88 per cent of customers found switching process easy

• However, there were still customers who found switching difficult and prices hard to compare

To improve the way the market works, Ofgem is:
• Improving the switching process

• Providing customers with better pricing information (now transferred to energywatch)

• Monitoring suppliers’ compliance with licence conditions

• Working closely with energywatch to address customer complaints, and

• Take enforcement action where necessary
Timetable

• 7 December – public workshop

• 19 February – publication of final proposals

• 28 March – licence modifications implemented (subject to consultation)

• 1 April 2002 – proposals take effect