



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

