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February 18 2005

OFGEM TO CUT INDUSTRY RED TAPE

- **Review of gas and electricity supply licence conditions aims to better protect customers' interests**
- **Licence conditions too long and complex**
- **Simpler licence conditions will make it easier for new firms to enter energy market**

Energy regulator Ofgem today (Friday) announced the start of a review of the licence conditions which every energy company has to comply with before it can supply customers with gas or electricity.

Since privatisation, when the original licence conditions were drawn up, the energy industry has undergone more than 15 years of radical change. Customers now benefit from Europe's most competitive energy market with over half of all domestic customers having changed supplier at least once.

In the last few years, Ofgem has gained new powers to protect customers under the Competition Act and consumer law. These new powers will allow Ofgem to review licence conditions to ensure that it retains only those that are needed to protect customers' interests in a competitive market.

Ofgem's Managing Director for Markets, Steve Smith, said: "This review is consistent with the principles of better regulation in seeking to cut unnecessary complexity. There are 170 pages of licence conditions, which may act as a barrier to companies entering the gas and electricity markets.

"Ofgem's primary duty is to protect the interests of customers and we will be ensuring that the new licence conditions allow us to continue to carry out this vital role. We will also be paying close attention to how they protect the interests of vulnerable customers."

The review, which in principle is supported by energywatch and energy suppliers, starts off with a consultation before Ofgem develops any proposals to change the licences.

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Notes to Editors

1. Companies supplying gas and electricity to industrial, commercial and domestic customers in Great Britain are licensed by Ofgem. These licences contain a number of conditions that suppliers must comply with. Failure to comply with these can lead to Ofgem taking enforcement action against the company responsible, which could lead to a financial penalty of up to 10 per cent of UK turnover.
2. The review's main aims are to develop a set of clearly and effectively drafted licence conditions that:
 - provide proportionate protection for customers and in particular for vulnerable customers, given wider market developments and Ofgem's powers under competition and general consumer protection law
 - make it easier for new companies to enter and compete in the electricity and gas markets, and
 - provide a flexible framework within which the competitive markets can evolve without the need for sector-specific regulation.
3. Copies of the document *Reviewing the gas and electricity supply standard licence conditions* (51/05) are available from the Ofgem website on www.ofgem.gov.uk. Hard copies can be ordered from the Ofgem Distribution Centre on 020 7901 7116 or by email from distribution@ofgem.gov.uk.
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. Ofgem's aim is to bring choice and value to all gas and electricity customers by promoting competition and regulating monopolies. The Authority's powers are provided for under the Gas Act 1986, the Electricity Act 1989 and the Utilities Act 2000.

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