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OFGEM FORCES COMPANIES TO RAISE GAME ON COMPLAINT HANDLING

- **Suppliers and energy network companies to be subject to detailed new standards on complaint handling**
- **Ofgem to audit energy companies to promote best practice and ensure compliance with standards**
- **New redress scheme to meet criteria set by Ofgem**

Energy regulator Ofgem has today (Wednesday) unveiled tough new complaint handling rules for energy companies. Companies will be audited on how they handle complaints and will face potentially heavy fines if they fail to meet new standards.

The complaint handling standards will come into force from 1 July and will apply to all complaints from domestic or small business customers.

Failure to comply with the new standards could lead to enforcement action by Ofgem which will be able to fine companies up to 10 per cent of turnover for non-compliance. Ofgem will carry out an audit later in the year to ensure companies are meeting the new obligations and to help promote best practice.

Ofgem Chief Executive Alistair Buchanan said, "We expect the new standards to add to customer confidence by underpinning the pressure that competition places on suppliers to treat customers well. The standards will also reinforce the protection energy network companies are already required to provide. I'm confident that the companies will rise to the challenge. But if they don't - we now have the ability to take regulatory action."

A review by Ofgem of suppliers' current practices found significant variations in the quality of complaint handling. Research by Ofgem earlier in the year uncovered a number of major sources of frustration for customers. Examples of how the new standards address these top complaint handling complaints are:

- customers will no longer have to repeat all the details of the complaint if they need to contact the supplier again;
- suppliers will no longer be able to insist that complaints are put in writing before they can be properly considered; and
- companies will have to publish information, which will be verified by Ofgem, on the number of complaints they receive. This will enable customers to judge which companies provide the best service.

The publication of these standards follows the regulator's recent publication of criteria for approval of a redress scheme which gives customers a statutory body to go to with a complaint if their supplier does not resolve it. These changes are part of new arrangements which the Government has put in place to start from 1 October, involving Consumer Direct, the new National Consumer Council and a statutory redress scheme.

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Notes to editors

1. The new arrangements, introduced by the Consumers Estate Agents and Redress Act 2007, replace energywatch. From 1 October Consumer Direct will take on responsibility for providing initial advice to energy consumers, as they do already in other sectors. The new National Consumer Council will bring together the current NCC with some of the functions of energywatch and post watch to create a more powerful and streamlined consumer body. The new arrangements also involve the creation of a new statutory redress scheme. This will formalise the industry-led arrangements which Ofgem required to be put in place in 2006 to provide redress to energy customers who could not resolve their disputes with suppliers.

The industry led scheme, the Energy Ombudsman, has been backed by the six major energy suppliers since 2006. From 1 April 2008, energy network companies have joined the scheme on a voluntary basis.

2. In March, Ofgem published its criteria for the new statutory redress scheme. The new arrangements formally extend the scope of the scheme to all energy suppliers and network companies. The scheme will be available for use by domestic consumers and small businesses who have disputes with their energy provider which have not been capable of being resolved. The scheme can seek redress for consumers including awarding compensation. Ofgem would prefer to see a single scheme in energy. Applications to run this scheme, in compliance with Ofgem's criteria, are due to be received by 25 May. It is expected that the new scheme will be up and running later this year.
3. 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 functions are set out mainly in the Gas Act 1986, the Electricity Act 1989, the Competition Act 1998 and the Utilities Act 2000. In this note, the functions of the Authority under all the relevant Acts are, for simplicity, described as the functions of Ofgem.

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