

Energy Supply Probe – Initial Findings Report

Action 1: Promoting more active customer engagement

More information to be put on bills

The energy bill is currently the major medium via which suppliers communicate with their customers. The dynamic competitive energy supply market has incentivised suppliers to respond to customers' demands with regard to the layout and overall look of their energy bills, addressing their requests to minimise complexity and provide them with the information they have told us that they need. Bills are generally very busy documents – containing a host of mandatory, financial and commercial information - on both sides of the paper. The primary purpose of the bill is financial – in many cases the design and exact format is driven by these needs (i.e. bank clearing document scanning equipment). Any re-design of the bill will have to retain these features and indeed in our view there is already a concern amongst a large number of customers that there is presently “too much” information on bills. We would be particularly concerned if, in order for the information to be meaningful, an additional page is required.

In addition, there is already much work being done with regard to information on bills, for example: the requirement for consumption information to be included on bills from 1 January 2009; the Energy Demand Research Project; and the potential unlocked by smart metering roll-out. In addition, SSE has gone beyond statutory requirements to develop its Domestic Energy Customer Charter, which sets out a series of promises that we make to all of our customers. As part of this, we already include details of the customer's tariff on the front of our bills. SSE has other bill redesign projects under development which are aimed at improving the presentation of information to customers. The changes that we have in progress are to improve and simplify the information we already provide in response to feedback from customers.

We are also working on a joint project which will provide customers with details about their electricity usage and energy efficiency tips which are relevant to their individual circumstances. The project will allow us to establish a customer proposition that engages customers with the increased information that these new technologies can provide. It also provides us with the systems and processes which will allow our customers to engage with smart metering technology. These developments underline the fact that in a competitive market suppliers should have the flexibility to differentiate themselves and to provide innovative solutions to customers via the format of their bills. There is a possibility that these very beneficial initiatives would be at risk if Ofgem wishes to press forward with its proposals within the coming year. It is vital that any new Ofgem-imposed obligations do not undermine such innovation and differentiation.

Any interim measures imposed by Ofgem will also have a cost which has to be considered against the perceived benefits. This cost will arise not just in terms of ongoing operating expenditure, but also IT development costs and the opportunity cost of other programmes suppliers want to pursue individually, but which will be delayed by the imposition of significant statutory measures.

Against this background, we are willing to listen to reasonable and proportionate suggestions for improvement, but would welcome greater clarity from Ofgem regarding what specifically it is trying to address. We are happy to work constructively with Ofgem to improve the level of information available to customers, but this must not cut across the normal functioning of the competitive market or the range of other initiatives presently underway and must be proportionate. We would therefore expect any proposals to be subject to a rigorous cost-benefit analysis and to be “road-tested” with customers beforehand. Finally, we would want any new obligations in this area to avoid being overly prescriptive, to enable suppliers to implement new measures in a way that reflects their current bill format, etc.

Annual statement

In principle, we have no objection to providing customers with a leaflet setting out, once a year, their tariff and the relevant alternatives available to them. We already include details of the customer's tariff on the front of our bills. Through our Domestic Energy Customer Charter

we have already committed to providing all of our customers with a regular review of the tariff that they are on and ensuring that they are on the most appropriate product to suit their needs. More recently, as part of our recent price change communication and our fuel poverty initiatives, we have been encouraging customers to contact us if they wish to discuss any aspect of their energy supply arrangements with us. As above, however, we consider that any new obligation for an annual statement must avoid being overly prescriptive to allow suppliers to continue to innovate and determine the nature of communication to customers.

Annual prompt for how to switch supplier

If Ofgem means for suppliers to send out, on an annual basis, a short note reminding customers of the right to switch and an explanation of the process, then although we are unaware of this requirement in any other competitive market, we have no objection to this proposal. Such a statement could be incorporated, for example, into the annual notice of rights communication to customers. If, however, Ofgem have in mind a different form of communication, in some form encouraging or exhorting customers to switch (even if that would not be the best thing for them to do), we would consider this inconsistent with the concept of a competitive market. Nor would it be workable in practice. We would therefore encourage Ofgem to adopt the former approach of an annual and generic reminder of the switching process.

Work to promote confidence in switching sites and extend their coverage to PPM

We support this proposal and believe that some further work is required on the Confidence Code for switching sites. We are also supportive in principle with the proposal to extend the coverage of switching sites to PPM customers and we note that there has already been some progress in this area. Clearly, however, individual commercial relationships would be a matter for negotiation between the supplier and the service provider.

Simplify supplier switching process

This was looked at in depth during the Customer Transfer Programme, as a result of which changes were made to improve the process where cost-effective. We note that the switching process itself is not cited by many as a barrier to choosing an alternative supplier. For these reasons, we would be opposed to a wholesale and expensive re-write of the transfer process, particularly bearing in mind the move towards smart metering roll-out over the next few years. However, improvement is always possible and we believe that the next step in this regard should be to focus on gas to align the transfer timescales with electricity. We consider that this can and should be taken forward through the usual industry governance process.

We are aware that some have suggested a “problem fixing” unit or process for intervening where there are issues with particular customer transfers. One of the ways in which we have demonstrated our commitment to make the switching process straightforward to customers is via our Domestic Customer Charter. We have established a dedicated new customer management team who are tasked with helping the customer through the supplier transfer process. We have also committed to work with customers who have decided to leave us for another supplier to make the process as smooth as possible for them. We are therefore open-minded about this proposal. We would note, however, that there is currently a considerable variation in the performance of suppliers to operate the change of supplier process and would suggest that a focus on this difference this might yield more improvement overall.

More generally, we consider that biggest source of complexity in the transfer process has been brought about by the processes necessary to underpin metering competition. We would suggest that the anticipated roll-out of smart metering might present an opportunity to revisit this complexity.

Ofgem funded customer awareness programme

We support this proposal.

Debt objections

This has been examined many times since the market opened, more recently as part of the supply licence review. We continue to believe that there is a trade-off between removing

objections (and hence more customers switching) and greater industry bad debts (which we believe would be substantial and would be reflected in higher prices for the generality of customers). Our concern is that more security deposits, PPMs, disconnections and aggressive debt management would be the outcome if debt objections were abolished. That is why on each occasion when this has been looked at, the practice has been retained. If anything, the current economic climate makes it even more important that the right to object for debt is retained.

Action 2: helping consumers make well-informed choices

Simple price comparison metric

We are open to any sensible and deliverable ideas in this area. However, when this has been looked at before, all of the suggested options have proved to be unpopular with customers, impractical for suppliers and misleading for the majority of customers. We are concerned that to provide a price comparison metric would be extremely difficult to achieve in practice as each supplier has numerous tariffs and payment methods. Whilst this information is generally available, and indeed, required by licence condition to be provided on request, it places an onus on suppliers to update the information on an ongoing basis. Fundamentally, the accuracy of the comparison is predicated on having the precise details of the tariff that the customer is on. As customers do not always have their bills to hand inevitably there is a risk that sales agents could compare the prices offered against the wrong tariff. We have doubts that any savings calculator, even one offered by a third party, can be truly accurate and, as a consequence, we do not believe that we can credibly be expected to show accurate industry comparisons.

There is also a risk that pricing decisions would be distorted (as suppliers compete to beat the comparator, rather than market led pricing). Any standardised price information would inevitably have to be based on levels of average consumption which could be misleading to customers for a number of reasons. For example, a single price metric would not take account of the fact that each customer has a unique usage pattern and therefore may not fit in to the "typical" domestic consumption levels. Customers and indeed the sales agent may not know for certain whether the customer meets one profile or another. Furthermore, because of regional variations in consumption patterns there are additional factors to consider. For example, a household with an electricity only supply which uses electricity as its primary source of heating will have a completely different consumption pattern and energy bill to a household with a dual fuel supply using gas as its primary source of heating but with poor insulation and an inefficient boiler.

In addition, we have concerns that there could always be the potential for a customer to be misled whenever another supplier changed its prices. As soon as a rival supplier launched a new product the information would need to be updated. Sales staff would also need to be trained in making comparisons. This would have consequences for existing participants and could also be a potential burden on new entrants. We are also not convinced that providing this additional information would achieve the desired outcome, namely to enhance customers' choice and enable them to make informed decisions about changing supplier.

Ofgem also needs to consider that where a customer has entered into a contract with the supplier over the internet or via a third party intermediary the customer will have made an informed decision on his own without the involvement of a salesman and it would be less appropriate to provide a price comparison metric as part of this process.

Alternative to price comparison metric

We are constantly reviewing the materials that we leave with the customer post sale and/or as part of the contract documentation. This is, we feel, the most appropriate way of improving the information we provide to customers.

One option that we have been considering is to leave the customer a written summary of the comparisons that have been made. In the past we have tried to offer customers quotations but this has proved difficult because we have to make an appointment to go back to see the customer. At present we leave customers with a pricing sheet which sets out our prices and

which they can compare with their current supplier's rates if they wish. This includes comparisons with British Gas for gas and the host company for electricity.

We believe that we could easily include in our post sales verification process a check that the customer has received the pricing sheet. If other suppliers were to adopt a similar approach we think that this would represent an appropriate balance between providing adequate information to customers to help them make an informed choice and maintaining a practical and viable sales force. We do have concerns that, to the best of our knowledge, at least one of our competitors does not leave any form of documentation with the customer once they have agreed to switch. Indeed, the AES Code has recently been amended so that there is no requirement on the supplier to leave the customer with any contract information after the sale has been concluded.

We have also been considering whether there would be merit in enhancing the documentation/information that we leave behind with the customer so that it is very clear what they have signed up to and include a "sales fact sheet". Such a fact sheet could provide the customer with a clear and unambiguous explanation of what happens next now that they have signed a contract and could signpost impartial third party intermediaries for price comparison and other information about the switching process.

In conclusion, we agree that all suppliers should be providing customers with clear information about the products that they are selling. Whilst the customer should be able to compare the tariff they are on with the one that they are being offered by the prospective supplier, this may not be achievable in all circumstances. We also want to retain the onus on the customer to make their own informed choice. We therefore consider that the concerns raised by Ofgem about informed switching could be addressed by adopting, across the industry, the changes to post-sales verification that we have noted above.

Further marketing obligations

We believe that the existing regulatory and legislative framework already provides a high degree of protection. We therefore do not agree that the existing rules need to be strengthened. Indeed, any new obligations in this area could make direct selling effectively impossible or would significantly slow down selling and the rate of switching, to the detriment of customers and competition. Any proposals that are taken forward need to be practical and proportionate and should not create unnecessary or expensive additional burdens on suppliers or be detrimental to the efficient operation of the competitive market. It is particularly vital that any proposals in this area are capable of being used on the doorstep.

We continue to believe that the existing marketing licence condition is effective in ensuring that suppliers adopt a responsible approach to sales and marketing. This is supported by the marked drop in marketing complaints in relation to the scale of sales activity undertaken by suppliers and the fact that such complaints have fallen by dramatically in recent years such that SSE has the lowest number of direct sales complaints in the energy sector.

Where evidence has been provided of mis-selling or other inappropriate activities, we consider that Ofgem already has the appropriate powers to take action against the company or companies concerned.

SSE alternative proposal

We could support a minimal requirement on suppliers to alert all customers to the importance of checking that the product is best for them and where to obtain impartial advice. We propose that this could be achieved via the introduction of a "sales fact sheet", which could be provided to the customer at the point of sale and would make a series of recommendations. The information would be readily understandable by the customer and would address the concerns raised in the report. Importantly, it would also instil confidence that the interests of vulnerable customers are being addressed by key stakeholders in the energy market. This could be achieved either voluntarily or via an amendment to the AES Code. We would have no objection in principle to providing a simple fact sheet to customers as part of their "pack", which could be handed over by the sales agent at the point of sale. The fact sheet could be adapted for use on the internet and by telesales agents.

The content of the fact sheet would be generic and would simply alert the customer to the following points:

- That they have received the fact sheet because they have confirmed their intention to change supplier;
- Advise that they should check that the product they have signed up to is best for them;
- Remind customers that they have a cooling off period (whether the visit was solicited or unsolicited, reflecting the new CEARA provisions);
- Provide details of where to go to get impartial comparison advice and information; and
- Provide details of what the customer should do if they have any concerns. This should be always to contact the supplier that left the fact sheet in the first instance. The fact sheet could also usefully signpost customers to other organisations.

We believe that this initiative would be a proportionate response to the concerns that Ofgem has identified. It would provide customers with fair, balanced and contextualised information which would be useful irrespective of their level of knowledge about the energy market. Furthermore, an information leaflet that was endorsed by Ofgem (and other stakeholders) would provide some much-needed credibility at a time when there has been a significant amount of misinformation portrayed through the media. It should therefore instil some additional confidence amongst consumers and demonstrate that all stakeholders are committed to taking appropriate steps to ensure that all customers are benefiting from the competitive market.

Action 3: reducing barriers to entry and expansion

Regulatory Accounts

We firmly believe that an obligation to produce separate supply and generation accounts will be of limited value, since this is not how we run our business. Any allocations and recharges, etc will be exactly that – assumptions made to produce a regulatory requirement rather than reflecting the underlying way we operate. We will nevertheless cooperate with Ofgem's recommendation even though we do not agree that it will achieve Ofgem's stated purpose, namely to reduce barriers to entry by giving potential market entrants more transparency. Instead, it will increase our cost to serve as we will have to employ more accountants, pay additional audit costs and invest in systems and people to calculate and administer a transfer energy price.

However, if Ofgem proceed with this requirement then in our view there are a few issues that need to be addressed:

- The accounts need to be kept at a high level (profit and loss only) otherwise the costs of producing them will become prohibitive;
- We should have the freedom to determine the transfer price – but Ofgem must recognise that it will not be representative of the way in which we run the business;
- For gas, the accounts should include offshore as well as generation;
- The requirement should be forward looking (i.e. the first year we would produce accounts would be for 09/10); and
- It must fit in with our financial year and our existing accounts framework.

Wholesale market liquidity

Liquidity

SSE is a major provider of liquidity in the wholesale market, particularly the electricity market, and we have been able to transact most product periods to manage our position. Our experience shows that when there is limited liquidity in the products we wish to trade, we have been able to attract liquidity by offering two-way markets. This suggests participants can attract or encourage liquidity if needed.

We do believe that it would be difficult for individual companies to assess overall market liquidity and we also need to be clear what the correct measure of liquidity is. For example, is it the number of trades for each product or the total volume traded for each product?

Consideration also needs to be given to who is best placed to monitor and assess liquidity in the market. This could include what is an acceptable liquidity level for each product and focus on any weaknesses.

It is important to recognise that credit is a potential limitation to trading as exposures to counterparties (and vice versa) have increased. Although this has not necessarily reduced liquidity it has made trading conditions more difficult. With the potential for more financial institutions to exit the commodities sector due to the current economic conditions there is a risk that liquidity will be affected.

For these reasons, we do not accept there is a fundamental problem with the wholesale market, but we are happy to consider any suggestions to increase liquidity such as improvements to trading platforms. For example, SSE is a member of the Power Trading Forum who are looking to introduce improved trading platforms to encourage greater liquidity. The aim is to produce a robust and trusted reference price for prompt electricity trading which will hopefully encourage trading of financial derivative products using such a reference.

Vertical Integration

Retail supply is a high volume low margin business. To operate efficiently and profitably participants need to manage risk. In the GB market, generation and supply businesses are exposed to imbalance costs separately, through the mandated use of separate balancing accounts. Production and consumption imbalance accounts cannot be combined for a vertically integrated player. So integration in itself does not offer a significant reduction in costs, indeed it can be argued that it creates greater risks as an integrated party can be penalised for out of balance costs on both its consumption and production accounts.

There is a choice of strategies to manage this risk, from using the near real-time markets to balance position to building a diverse long term portfolio of hedges (including investment in and operation of generation plant). Therefore investment in and operation of generation assets can be seen as a long-term strategy that can assist with the management of risks in the retail business. Market participants that have made this strategic investment decision have in effect provided some long term stability to the marketplace. If vertical integration was removed the electricity wholesale market would become significantly more volatile and increase the risks of retail supply. In turn this would increase the price to retail customers.

Barriers to Entry

All retail suppliers large or small are exposed to similar risks when supplying customers. The issue with respect to small suppliers trying to compete in the retail market is one of financial robustness. If such suppliers cannot afford to manage risks appropriately they will ultimately fail. Larger suppliers are more likely to take a longer-term view to risk through investment in generation and long-term contractual arrangements.

Without investment in either long-term assets or contracts, new entrants require access to the OTC and spot trading markets. This can be costly when considering the credit conditions that may be applied by prospective trading counterparties to a financially untested or weak entity. Again financial robustness is essential for a well-ordered market to operate and without it uncertainties will be introduced which are likely to increase costs, ultimately feeding through to the end customer.

Market Abuse

We oppose the prospect of a "market abuse" licence condition in the strongest possible terms, particularly if it is framed in a similar way to previous proposals. We firmly believe that implementation of the proposed licence condition would result in substantial uncertainty and risk for generators. Such risk is unacceptable in a competitive market.

The introduction of a vague and broadly-framed prohibition would be unworkable without detailed guidance from Ofgem. The guidance would need to provide sufficient information to generators to allow them to have full confidence about their ability to comply with a licence condition, given its broad nature. In the past, understandably, Ofgem has been unable to

provide such guidance without fettering its discretion. This is an unacceptable level of regulatory risk for market participants.

The UK generation and supply markets continue to be the subject of rapid change and substantial regulation which we believe is leading to an increased perception amongst investors of regulatory risk. There is also risk that the regulator would be drawn into the micro-management of the business as companies seek guidance on what types of behaviour would, in the regulator's opinion, constitute abuse. This would undermine the effective operation of generation businesses and would ultimately undermine competition.

Furthermore, in our view, Ofgem already has sufficient existing powers to deal with anti-competitive behaviour within the market and we have not seen a credible explanation from Ofgem as to why these are inadequate within the current wholesale market arrangements. Previously a market abuse licence condition had been proposed and was referred to the Competition Commission. The Commission concluded, after a detailed and lengthy enquiry that the licence condition was not required and would be more likely to be detrimental to competition. We do not believe that anything has fundamentally changed since that inquiry and therefore we remain opposed to a generic and broad-based market abuse licence condition.

Action 4: Helping Small Business Consumers

We welcome Ofgem's detailed analysis of the extent to which the competitive market is serving small business customers. In this area we continue to grow our customer base and consider that we have an excellent customer service record. We would also observe that the rights for very small business customers have been enhanced by their inclusion under the new consumer representation and redress arrangements.

We do recognise that, as with the domestic market, there are always improvements that can be made to encourage small business customers to engage in the competitive market. For example, we believe that there are some practices currently being adopted which may be detrimental to the operation of the competitive market and the switching process, such as the inappropriate use of the objections facility and the misuse of some of the industry flows by our competitors for retention and regain purposes. If all parties followed the industry rules that are already in place, this would ensure the smooth operation of the customer transfer process and maintain customer confidence in the market. This is particularly important in a market that is dominated by fixed term contracts rather than 28 day switching.

We would therefore be happy to contribute to the development of initiatives which support and promote competition.

Requirement to inform customers of Terms and conditions

We have no objection to this and believe that we already do this via our existing practices.

Code of practice on objections

We are in principle supportive of this work, subject to the detail, although as observed above if all parties are conforming to the existing industry processes there should be no need for additional measures. We do agree with Ofgem that there could be merit in revisiting the use of some of the registration flows by suppliers to ensure that they are not being abused to the incumbent's advantage. We would also be willing to work with Ofgem and other stakeholders through the non-domestic working group to develop some customer-friendly FAQs to help customers understand how the transfer process works and what their rights are.

Accreditation scheme for switching sites

We support this.

Code of Practice for intermediaries

We strongly welcome this. In our view, it should be modelled on similar arrangements in the financial services market. We have serious concerns about the practices of third parties who purport to be representing customers' interests and have been using what is best described as "scare tactics" to encourage customers to switch supplier. We also believe that greater

transparency is required regarding the payment of fees to third parties. For example, in our commercial agreements with third party intermediaries we have committed to provide, if the customer requests it, the details of how the fee has been calculated.

We are also aware of a practice whereby a third party is contacting the incumbent supplier and advising that there has been a change of tenancy. This then means that the supplier has no contract with the new customer and effectively releases the site. We have subsequently discovered that this may not have been the case and have been unable to regain the customer.

Action 5: addressing concerns over unfair price differentials

From the outset, we consider that any discussion of relative prices has to recognise that tariff setting is inevitably a complex business, with many factors to be taken into consideration. For example, cost allocations and cost-reflection require many (often subjective) judgements to be made and there is therefore in large part not a single “right answer” to setting relative tariffs. It is also important to bear in mind that when suppliers are setting tariffs they are reflective of the supplier’s assessment of the costs at that time, however cost-reflectivity changes as costs evolve. When we are setting prices we are looking forward and attempting to predict and forecast a multiplicity of factors, in addition to wholesale energy costs, such as use of system charges, (which vary by region) and meter service costs. As a consequence, while a tariff might be cost-reflective at the time it was determined, quite quickly underlying prices might produce a different outcome than when making comparisons between prices with the benefit of hindsight.

Another consideration when setting prices is minimising disturbances to the customer. We do not, and currently cannot, charge “petrol pump” prices to our customers, changing prices daily or weekly in response to movements in wholesale prices. Given all of the factors outlined above that we need to take into consideration we try to avoid price shocks to customers by smoothing the path of change. We therefore believe that in adopting any new framework or guidance to suppliers, Ofgem must recognise that there cannot be absolutely rigid regulatory rules with regard to cost-reflectivity, because as soon as a supplier has set prices, they will inevitably become less cost-reflective as other factors change.

In addition, there are some forms of non-cost reflectivity which are not only tolerated but have been positively encouraged by Ofgem and others, such as social tariffs, prepayment meter equalisation, high microgeneration export prices and low prices to dynamically teleswitched customers. This needs to be considered in the round.

More fundamentally, we are firmly of the view that the established competitive market will determine whether a supplier has got its pricing strategy “right”. Within the context of the competitive market it would be imprudent of us not to take account of our competitors’ prices as well as our actual costs. Customers will switch if they feel that they are not getting a fair deal from their supplier. Over the years we think that we have got the balance right, unlike some of our competitors. Our policy remains to seek to be as competitive in as many areas as we can. Thus in setting our prices we are attempting to maintain a balance between cost-reflectivity and competitiveness in order to retain and gain customers. In that regard, SSE has benefited in terms of our customer growth which we attribute to our fair pricing policy, our range of innovative products, our strong brands and our sector leading customer service. We therefore do not accept that the way in which we have set and continue to set prices to our customers is not in accordance with cost-reflective principles.

Nevertheless, Ofgem’s report has made us examine carefully our pricing policy, as we accept that there are always improvements that can be made even where we are meeting the overall objectives of being cost-reflective and having fair differentials between payment methods. We have discussed in the covering letter the specific steps we intend to take to address the issues Ofgem has raised about the cost-reflectivity of SSE’s tariffs.

Approach to policing cost-reflectivity

More generally, Ofgem needs to be very careful in how it polices any new obligations on suppliers such as a non-discrimination licence obligation if tariff innovation and competition is

not to be undermined. We do not wish to return to the previous regime whereby Ofgem had to pre-approve tariffs. This demonstrably slowed and in some cases stopped product development and innovation.

Common sense and proportionality must apply when policing cost-reflective principles. It is clear that Ofgem could distort competition for certain customer groups by effectively setting tariffs and differentials. For example, if Ofgem gets it “wrong” in setting out the differentials, competition will be distorted. If companies get it “wrong” the market will reveal this over time. We do not believe that Ofgem’s intention is to opine on the minute details of pricing on IGT networks, standing or regional gas charges. Indeed, if Ofgem wishes to get into this level of detail, it will need to provide clear unambiguous guidance to suppliers on what would be acceptable and we do not see how this could sit alongside a competitive market.

Above all, the key is for any intervention deemed necessary by Ofgem to be light touch and focussed on big, persistent misdemeanours, such as prolonged and excessive internet discounts. It is of grave concern that the least competitive supplier is giving the impression that it is far lower-priced than it really is by offering a discount for internet sales which bears no relation to cost differentials. This situation cannot be permitted to continue. This loss leader approach to sales is not transparent to customers because of the way it has been portrayed in advertising and via the switching sites.

The form of any licence obligation must be carefully designed to strike the appropriate balance between regulatory oversight over pricing and regulatory intervention in pricing. A reintroduction of the previous “no undue discrimination” licence obligation would be disappointing, but is the “least worst” of the alternatives. However a more interventionist approach (effectively approving tariffs) or a more prescriptive licence condition relating to explicit cost-reflectivity would risk de-railing competition. Ofgem should bear in mind that where it believes that a supplier’s prices distort competition, it has recourse under its existing powers. Finally, it is absolutely vital that all suppliers are treated equitably otherwise it risks distorting the competitive market.

In conclusion therefore, we would strongly recommend that any action taken by Ofgem in this area should take the form of a general licence obligation not to unduly discriminate. Any resulting regulatory action should be targeted at big and persistent offences. In our view, this would strike the appropriate balance.