

4<sup>th</sup> August 2009

Dear,

With the winter months approaching consumers will be facing high household energy bills which will be challenging for all in these difficult economic circumstances and particularly for those in fuel poverty.

Wholesale costs have fallen from last year's peak and look set to fall further as we head into the winter. In a strong competitive market, we would expect prices to respond to such falls. You will be familiar with these trends and also aware of some public dissatisfaction with suppliers' response so far to wholesale price reductions.

Ofgem plays an important role on consumers' behalf in monitoring and reporting on how competition is working. In part, we do this via our quarterly wholesale/retail price report. While this sheds a light on the relationship between wholesale and retail prices and other cost drivers, such as network and environmental charges, it is firmly for suppliers to account to their customers on pricing policies.

You know that I have been, and remain, concerned about how effectively the sector communicates with consumers. I believe you owe it to consumers, ahead of the winter, to explain how cost changes, including falling wholesale costs, are likely to bear on future energy bills and I urge you to do this.

I have written in the same terms to all the Big Six suppliers and this letter will be published on our website. I would like to comment on plans for improving customer communication in our next wholesale/retail report due for publication in the next few weeks and so look forward to hearing from you by 1 September.

Yours sincerely

**ALISTAIR BUCHANAN CBE**  
**CHIEF EXECUTIVE**