



Gas or Electricity Supply Licence Holders, consumers and their representatives, and interested parties

Promoting choice and value for all customers

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Dear colleague

### **Standards of conduct for suppliers in the retail market**

In order to ensure a well functioning market in which customers can reap the full benefits of competition, customers must be able to make effective switching decisions. The behaviour of suppliers in the market plays a central role in determining how effective this process will be.

As a result of Ofgem's investigation into the operation of the GB retail energy markets ("the Probe"), we have consulted on and, today, have introduced a number of new licence requirements on suppliers designed to improve the quality and accessibility of the information available to consumers and to empower them to engage effectively in the market. To complement these new rules, we have also introduced a set of overarching standards of conduct that we expect suppliers to take all reasonable steps to adhere to in the domestic and small business retail markets. These standards are set out below.

- *You must not sell a customer a product or service that he or she does not fully understand or that is inappropriate for their needs and circumstances;*
- *You must not change anything material about a customer's product or service without clearly explaining to him or her why;*
- *You must not prevent a customer from switching product or supplier without good reason;*
- *You must not offer products that are unnecessarily complex or confusing; and*
- *You must make it easy for customers to contact you and act promptly and courteously to put things right when you make a mistake.*

I expect this set of standards to drive improved performance by suppliers. Ofgem has already started to have regard to these standards when considering our priorities for investigating potential licence breaches and when considering consumer detriment in the context of investigations.

One area where the standards have an important role to play relates to consumer confusion about the range and complexity of tariffs. The Probe found that many consumers are confused when comparing tariffs, including because of the wide range of different tariff structures on offer and the large number of tariffs to choose from.

During our Probe consultations, a number of consumer groups argued strongly that consumers would also be able to compare tariffs more easily if suppliers were to simplify their tariff ranges. In this regard, I urge suppliers to consider carefully the extent to which the products they offer may be unnecessarily complex or confusing and therefore hinder, rather than help, consumers from making well-informed choices.

I am keen to see progress made in terms of consumers being treated fairly however they choose to engage with the market. Ofgem will monitor and report on suppliers' performance against all of the standards. Where we see examples of good or bad practice we will draw attention to these. We will expect any bad practice to be speedily rectified. If we do not see progress made, for example in addressing the complexity of tariffs, we will look at taking more formal action. This may include consideration of whether to incorporate some or all of the standards as directly-enforceable licence conditions.

We will set out our proposed approach to monitoring supplier performance in the coming months. This will include consumer research to test how well suppliers are meeting these standards in reality. We will be setting up one-on-one meetings with suppliers to discuss their progress in delivering these standards. We will also be engaging with consumer groups and the Consumer Panel for their input on how suppliers are, and should be, performing against the standards.

Yours sincerely

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