



Central Office
Myddelton House
115-123 Pentonville Road
London N1 9LZ

Tel: 020 7833 2181
Fax: 020 7833 4371
www.citizensadvice.org.uk

Meghna Tewari
Senior Economist, Markets
Ofgem
9 Millbank
London
SW1P 3GE

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Dear Ms Tewari

Consultation: Supply Licence Condition 23 – period for notifying unilateral contract variations and related matters

Citizens Advice is pleased to have the opportunity to comment on Ofgem's proposals to amend Supply Licence Condition 23 which relate to the period for notifying unilateral contract variations and related matters. This is an area where we have on several occasions urged Ofgem to take decisive action to put an end to what we regard as unfair and underhand practices, and to show that the energy industry treats its customers fairly.

It is pleasing that Ofgem appears to be heeding calls to put an end to retrospective notification of price increases. However, it is disappointing that it has taken so long to reach this stage and we cannot help but wonder whether this issue may have taken even longer to reach this stage had an amendment to the Energy Act not been made which gave the Government backstop powers to intervene if the regulator did not achieve satisfactory change in this area.

Notwithstanding our criticism of the slow progress of achieving change in this area, we are very supportive of the proposals put forward in Ofgem's current consultation document and agree with its analysis of the detriment which the current rules can have, particularly on low income consumers.

Given the detriment discussed in Ofgem's consultation paper which we have highlighted previously, it is clear to us that change to SLC 23 is essential. We consider that there is a compelling, even irresistible, case for requiring advance notice of unilateral contract variations, such as price rises. This would provide consumers with timely and transparent information, thereby enabling them to make informed choices about their fuel use which might include looking to switch supplier, opting for a different tariff with their current supplier, changing payment method or seeking ways to reduce consumption in order to off-set rising prices. Equally importantly, it would send a strong signal to consumers that fuel suppliers are committed to treating their customers fairly.

We therefore welcome Ofgem's proposals for suppliers to provide customers with advance notification of a price increase and for customers to have the right to end their contract before the contract comes into effect. We are also in favour of applying these proposals more widely so they apply not only to notification of adverse price increases but to any unilateral variation to a customer's contract which is to their disadvantage. As Ofgem note, the arguments marshalled to make a persuasive case for advance notification for price increases apply equally to other adverse unilateral contract variations and, as such, a consistent approach would appear to be eminently sensible.

In terms of the period of advance notice of a price rise (or, indeed some other adverse contract variation) that should be provided, we acknowledge that requirements in other sectors seem to centre on providing 30 days advance notification of price rises. In our opinion, this would seem to be a reasonable starting point for Ofgem and the energy industry to consider. However, we note from various online switching sites that the usual timeframe for switching energy supplier varies from 4 – 8 weeks. Given this, we suggest that there would be merit in aligning the period for informing customers of a price increase with the length of time it takes to switch supplier and in so doing allowing customers to switch and avoid any price increase, also avoiding the confusion and complexity which can ensue when price increases are applied for a short period. This may also help to ensure that a customer receives their chosen tariff from their new supplier, and is not penalised for delay on the part of the gaining or losing supplier.

More broadly, to protect consumers from the consequences of their chosen new supplier's failure to act and request a transfer within 15 working days, we welcome Ofgem's proposal to amend the current supplier notice. We think that if a customer makes clear their intention to switch to a new supplier then they should be guaranteed the tariff they have selected, regardless of whether the new supplier has failed to contact the existing supplier within the 15 working day period. A guiding principle in consideration of this issue should be that the customer should not suffer through the action, or lack of action, of the supplier.

I hope that you find these comments helpful. Please do not hesitate to contact me if you would like to discuss any aspect of this response.

Yours sincerely

Tony Herbert
Social Policy Officer