

Press Release

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OFGEM PROPOSES MAKING ENERGY SUPPLIERS GIVE 30 DAYS NOTICE OF PRICE RISES

- **Latest Ofgem reform to energy market proposes that suppliers give 30 days notice of any price rise**
- **30 days notification along with annual energy statements will help consumers work out whether they are getting a good deal on their energy**
- **If energy companies reject the proposals, Ofgem has the powers to refer the issue to the Competition Commission**

Energy suppliers will have to give consumers 30 calendar days warning before putting up energy prices under proposals by energy regulator Ofgem. The proposals are part of a raft of reforms Ofgem has introduced, following its energy probe, to ensure that the market works in consumers' interests.

A key theme of Ofgem's reforms has been to empower consumers with more information about how much they are paying for their energy. Already this autumn, Annual Energy Statements are landing on consumers' doormats, giving more detailed information on how much their energy will cost them in the next 12 months.

Ofgem advised companies when it carried out its Probe that giving consumers advance warning of price rises was best practice. At the moment companies have up to 65 days in which to notify consumers after they have put up energy prices. Consumers then have 20 days to switch supplier if they wish to avoid paying the price increase. Under Ofgem's proposals the position would be reversed, with companies required to give 30 days notice before they increase prices.

Other Ofgem reforms have seen the removal of unjustified price differences, benefitting the affected customers to the tune of around £500 million. The reforms also include more information on bills, tougher door-step selling regulations (the subject of a current Ofgem investigation), rules to make it easier for consumers in debt to switch, and requirements on companies to publish financial information on their supply businesses.

Ofgem's Senior Partner for Markets, Andrew Wright, said: "A month's notice of price increases, along with annual energy statements and better information on bills, will empower consumers by giving them the facts about how much their energy costs. This information makes it easier to shop around for a better energy deal and to evaluate the benefits energy efficiency measures can deliver.

"Companies should be under no illusions: we will continue to keep the effectiveness of the energy market under review and will not hesitate to bring forward further measures to protect consumers

if the evidence shows them to be necessary. We intend to make sure that our current reforms stick, as our investigation of door-step selling demonstrates.”

Ofgem will publish a consultation on its final policy proposals confirming that it is minded to propose licence modifications. Subject to responses to the consultation, Ofgem intends to proceed with a statutory consultation on amendments to the licence conditions which apply to domestic suppliers.

By law Ofgem has to consult on proposals for licence modification and the proposals can be blocked in a majority of suppliers object. If the proposals are blocked, Ofgem has the power to refer the matter to the Competition Commission. The Government has also indicated that if suppliers block the proposals it will consider taking action using its new powers under the Energy Act 2010. If suppliers do not block the proposals they could come into effect by January 2011.

Notes for editors

1) Why is Ofgem proposing 30 days notification?

Ofgem considers that giving consumers 30 days notice of price rises would deliver the following benefits:

- Allowing consumers plenty of warning gives them a better chance to make a decision as to whether they should change their supplier or take action to reduce their demand to help counter the effect of increased prices.
- Ofgem’s research suggests that customers on low income would value more time in order to make changes to their budget and consumption.

2) Ofgem

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 powers and duties are largely provided for in statute, principally the Gas Act 1986, the Electricity Act 1989, the Utilities Act 2000, the Competition Act 1998, the Enterprise Act 2002, the Energy Act 2004 as well as arising from directly effective European Community legislation.

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