

14 October 2010

Meghna Tewari
Senior Economist
Retail and Market Processes
Ofgem
9 Millbank
London SW1P 3GE

Dear Meghna,

Consultation on proposals for amending Standard Licence Condition (SLC) 23 – Period for notifying unilateral contract variations and other consequential issues

Consumer Focus is the independent champion for consumers across England, Wales, Scotland, and for postal consumers in Northern Ireland. We operate across the whole of the economy, persuading businesses and public services to put consumers at the heart of what they do.

Consumer Focus welcomes the opportunity to respond to Ofgem's consultation. We provide our views to the six stakeholder questions below.

1. What are your views on our "minded to" position of requiring domestic suppliers to give customers Notice of a unilateral variation at least 30 calendar days in advance of the date on which the variation takes effect? Please provide any data/information to substantiate your views where appropriate.

Consumer Focus agrees that the four benefits that Ofgem outlines in the consultation document could potentially result from a change to advance notification. These benefits are:

- consumers being able to better manage their household budget
- in-debt consumers having greater freedom to switch
- consumers being better able to provide meter readings to ensure more accurate billing
- that consumers seem to prefer advance notification relative to notification in arrears (although the research does seem a bit mixed on this point) which could lead to an increase in consumer confidence

In principle we support a move to '30 days in advance' notification of changes to contract terms subject to having a better understanding of the costs involved in implementing this change. Our initial view is that the benefits will outweigh the costs involved (we discussed some of the potential costs of moving to advance notification in our consultation response to the prior Ofgem consultation in February 2009. Our response can be found by following the link – <http://bit.ly/b8HLZ5> PDF 512KB). We also note that Ofgem are of the view that, based on the cost information available to them, the benefits of implementation outweigh the costs.

Notification should be made by post (or email if it is an online tariff customer) and it should be clear to the customer that this is an important communication not standard correspondence. It should be designed in a way that ensures a customer could not mistake the communication for marketing material. Information should also be displayed in a clear and understandable manner.

We understand that Ofgem produced an impact assessment prior to this consultation. We would welcome this impact assessment being placed in the public domain to inform all stakeholders (subject to commercial confidentiality).

2. What are your specific views on the proposed consequential amendment to retain paragraph 23.6(a) of the SLC 23 such that customers have a 20 working day period from the date of a price increase (or other variation) takes effect to notify their supplier that they would like to switch in order to avoid the application of a price increase (or other variation)? Please provide any data/information to substantiate your views where appropriate.

This change would result in an increase by 30 days of the time consumers will have the option to switch following a change in contract terms. There are certainly benefits in giving consumers more time to exercise their right to switch although it is difficult to make an assessment without understanding the costs involved. Subject to an assessment of the costs involved, we support this retention in principle as it should help make the customer base less 'sticky' thus improving the competitive dynamic in the supply market. It should also reduce the possibility of inefficient generator cost being passed on to consumers.

3. What are your specific views on the proposed consequential amendment to sub-paragraph 23.6(c) of SLC 23 (and sub-paragraph 14.9(c) of SLC 14) such that customers in debt will have a 30 working day period to pay off outstanding charges from the date the customer receives Notice that the supplier intends to prevent them from changing supplier? Please provide any data/information to substantiate your views where appropriate.

An increase in the time in debt consumers will have to repay their supplier by 25 working days certainly represents an improvement for these consumers, although again it is difficult to come to a judgement without a full understanding of the costs involved. Subject to an understanding of the costs involved we support this amendment as the benefits to in-debt consumers are clear. We are also of the view that an extension in time for consumers to pay back their debts will be minimal in comparison with an increase in the debt-blocking threshold.

4. What are your specific views on the proposed clarificatory amendments to SLC 23 and SLC 24? Please provide any data/information to substantiate your views where appropriate.

It is our understanding that the changes to sub-paragraph 24.3(a) of SLC 24 will ensure those on tracker tariffs will now be subject to a termination fee, as the previous legal text suggested that they would not, following notification of a change in contract terms. We would welcome clarification from Ofgem on whether our understanding is correct.

5. What are your specific views on the proposed one-month time frame for implementing these proposals? Please provide any data/information to substantiate your views where appropriate.

We note that Ofgem believes suppliers should have in place the internal processes required to provide advance notification to their customers as the Licence Condition as currently applied is only supposed to act as a backstop ie suppliers should aim to notify their customers in advance of the time specified by the regulation. Subject to the views of suppliers we support the implementation date proposed by Ofgem.

6. What are your specific views on the minded to decision not to propose any amendments to 15 Working Day Period for the supplier to receive Notice under the Master Registration Agreement /Network Code? Please provide any data/information to substantiate your views where appropriate.

N/A

I hope these comments are helpful. If you would like to discuss these comments further I would be happy to follow them up with you either in person or via telephone/email (cem.suleyman@consumerfocus.org.uk, 020 7799 7932).

Yours sincerely,



Cem Suleyman
Senior Policy Advocate