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ERA response to the Ofgem consultation on proposals for amending Standard Licence Condition 23.

Dear Ms. Tewari,

The Energy Retail Association (ERA), formed in 2003, represents electricity and gas suppliers in the domestic market in Great Britain. All the main energy suppliers operating in the residential market in Great Britain are members of the association - British Gas, EDF Energy, npower, E.ON, ScottishPower, and SSE.

We are responding to the consultation letter from Emma Kelso, dated 01 October 2010, on the proposed amendments to Standard Licence Condition 23. We have discussed this with our members, who will also be responding individually.

Whilst all members understand Ofgem's reasons for moving towards advanced notification of a price increase, ERA members would like to point out that the policy development path followed by Ofgem in this matter has caused some concern. It is extremely challenging for any energy supplier to project what impact a proposed policy change will have without proper engagement. There are parts of Ofgem's proposal that could have been discussed with suppliers ahead of this consultation, which would ensure a smoother transition of the proposals into the Licence or not. With this in mind, it would be helpful if suppliers could review the draft Licence changes and Impact Assessment before the Statutory Consultation is issued.

Given the lack of clarity around the changes that some or all suppliers may have to make to their internal processes, Ofgem must recognise that implementation timescales cannot be accurately judged until suppliers have confidence around the changes in the Licence that they will have to act upon.

Suppliers would also like to reiterate that, whilst it is possible to mail millions of customers over a period of days, the operational impacts of this must be taken into consideration. The ability to successfully manage the subsequent customer contact cannot be ignored. Under current arrangements, energy suppliers spread their mail-outs over several weeks for exactly these practical reasons. Changes to this Licence Condition would mean a fundamental shift in the way energy companies operate from an administrative point of view and the way they communicate with their customers.

Furthermore, the suggested change has associated, and as yet not quantified, impacts on other processes. It is unclear how, under these proposals, suppliers should present the projected forecast on bills and annual statements. It also introduces additional complexities in ensuring a fair price comparison at the point of sale between announcement and implementation of new tariffs. With advance notification there will be a need to change the way that comparisons are made. This kind of change requires time, system updates and potentially publication of new material and tools for the point of sale. However, without draft Licence Conditions or guidance it will not be possible for energy suppliers to fully understand the impact and potential consequences.

We would urge Ofgem to provide clarity and engage with energy suppliers as soon as possible as ERA members remain keen to work with the Regulator to ensure a smooth transition to new arrangements that will work to the benefit of customers.

I hope you find our comments helpful, should you require any more information please do not hesitate to contact me.

Kind regards,

Frances Williamson
ERA Head of Policy and External Relations