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ERA response to the Ofgem Proposed modifications of Standard Licence Condition 23 (SLC 23) of the gas and electricity domestic supply licences: period for notifying unilateral contract variations and other consequential issues

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 Ofgem Proposed modifications of Standard Licence Condition 23 (SLC 23) of the gas and electricity domestic supply licences: period for notifying unilateral contract variations and other consequential issues consultation. We would be happy to discuss any of the points made below in further detail with Ofgem if this is considered to be beneficial. This is a high level industry response and the ERA's members will also be providing individual responses.

Whilst all members understand Ofgem's reasons for moving towards advanced notification of all unilateral contract variations, particularly relating to price increases, it should be pointed out that the policy development path followed by Ofgem in this matter has caused some concern. ERA responses to Ofgem letters regarding this issue – in May 2010 and in October 2010 – have noted that it is extremely challenging for any energy supplier to project what impact a proposed policy change will have unless there is proper engagement. In the October 2010 letter we stressed that it would be helpful if suppliers could review the draft Licence changes and Impact Assessment before the Statutory Consultation was issued. Even though the consultation has now been published, ERA members would like to stress a greater level of engagement would have been beneficial, as it helps with all parties exchanging best practice and reaching common ground.

ERA members note that whilst it is possible to mail millions of customers over a period of days, the operational impact 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.

There will also be an impact on other processes, not as yet quantified. Some examples include projected forecast on bills and annual statements, fair price comparisons at the point of sale between announcement and implementation of new tariffs etc. All these and associated changes require time, system updates and potentially publication of new material and tools for the point of sale.

Changes to this Licence Condition mean a fundamental shift in the way energy companies operate from an administrative point of view and also the way they communicate with their customers. Therefore, energy suppliers would like to stress that the timescales proposed are extremely short. It may not be possible for all the necessary changes to be in place within the timescales proposed, particularly considering the existing IT systems and the careful reorganisation and updating these will require. ERA members would urge Ofgem to give due consideration to the commercial processes necessary to make any changes.

ERA members need certainty as soon as possible with regards to any changes, as well as clarity in the licence conditions. We would urge Ofgem to provide certainty and engage with energy suppliers as soon as possible as well as consider the short timescales proposed and the commercial and administrative difficulties they will create. 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,

Sofia Gkiousou
ERA Policy & External Relations Advisor