



Holders of Gas and Electricity
Supply Licences

*Promoting choice and value for
all gas and electricity customers*

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Date: 28 March 2011

Dear Colleagues,

**DECISION TO MAKE MODIFICATIONS TO STANDARD CONDITIONS 23, 14 AND 24
OF THE GAS AND ELECTRICITY SUPPLY LICENCE**

Brief Background

On 01 October 2010¹ Ofgem published a consultation on our "minded to" proposals for amending Standard Licence Condition 23 (SLC 23) of the gas and electricity supply licence. Our key proposal is to replace the retrospective 65 working days notification period under the current SLC 23 with at least 30 calendar days notification period in advance of the effective date of any price increase or variation which is to the significant disadvantage of the customer. On 01 December 2010 we issued a further consultation on our draft impact assessment² and on policy proposals. This consultation closed on 18 January 2011.

After considering the consultation responses, the Authority³ decided to proceed with a statutory consultation on modification proposals. The Authority decided that the proposed modifications would be necessary to protect the interests of gas and electricity consumers. These amendments will improve customer confidence and enhance customer engagement and competitive activity.

On 09 February 2011, we published a final impact assessment and issued statutory consultation notices⁴ with proposals to modify the standard conditions of the electricity and gas supply licence by:

- i. amending sub-paragraphs 4(a), 4(b), 6(a) and 6(c) of standard condition 23 ("Notification of Domestic Supply Contract terms");
- ii. amending subparagraph 9(c) of standard condition 14 ("Customer Transfer Blocking"); and
- iii. amending paragraph 3 of standard condition 24 ("Termination of Domestic Supply Contracts").

In the notices we asked relevant licence holders and interested third parties to review the proposed modifications and make any representations and objections to Ofgem on or before 14 March 2011.

¹ [October 2010 consultation on "minded to" policy proposals](#)

² [December 2010 Consultation on draft impact assessment of proposed modifications to SLC 23](#)

³ Ofgem is governed by the gas and electricity markets authority (the Authority). Ofgem is the office of the Authority and the terms are used interchangeably.

⁴ [Statutory notice of proposed modifications of Standard Licence Condition 23 \(SLC 23\) of the gas and electricity domestic supply licences including other proposed consequential and clarificatory amendments](#)

Summary of responses and Ofgem's view

We received seven responses from supply licensees. We did not receive any statutory objections with respect to the proposals to modify standard conditions of the gas and electricity supply licences. However, some respondents made their representations with comments and suggestions regarding the proposed one month implementation period of final amendments and some of our proposals. These are discussed in the following sections.

Implementation timetable

Two suppliers reiterated their concerns for the proposed one month implementation period for implementing final changes to SLC 23. One of them stated that if their systems are not ready in time they may approach Ofgem for derogation on implementation timings.

On implementation timings we would like to highlight again that an element of potential advance notification in SLC 23 was introduced following the Probe⁵. We are disappointed that despite this move in favour of advance notification and the consultative process which was started early last year, some suppliers are citing difficulties in moving to an advance notification regime and requesting more time.

We believe that a one month timescale will enable customers including customers on low income, to realise the benefit of our proposals without further delay. This is of particular importance as we have been engaging with stakeholders on this issue since early last year. There is a risk that consumer confidence will be adversely affected if there is a long delay in implementing our proposed changes.

Therefore, having considered all representations, we still consider a one month implementation period is appropriate.

Proposal 3: 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 blocking notice that their current supplier intends to prevent them from changing supplier on grounds of debt.

One supplier suggested removal of proposal 3 which gives all customers in debt 30 working days to repay debt. They argue that, given our proposal to require suppliers to provide customers 30 calendar day advance notice, this provision to provide customers in debt 30 working days to repay debt is no longer needed.

As part of the Probe remedies, sub-paragraph 23.6(c) was put in place to provide customers with 30 working days to pay off debt in circumstances where they wish to change supplier in response to a price increase or variation, but are prevented from doing so on grounds of debt. If the debt is paid off within 30 working days of receiving the blocking notice from the supplier the customer can switch and avoid the effect of the price increase or variation. Sub-paragraph 23.6(c) (and sub-paragraph 14.9(c) of SLC 14) only currently applies in circumstances where notice of a price increase or variation is received less than 5 working days in advance or after the effective date of the price increase or variation.

The impact of the proposed 30 calendar day advance notice period would be that this protection for customers in debt would fall away. We therefore proposed a consequential

⁵ Following the Probe some changes were introduced to SLC 23. One of these changes was to make clear that advance notification was permitted and therefore to encourage suppliers to notify in advance. The impact of this change is that under the current arrangements of SLC 23 suppliers are required to notify their customers either in advance of a price increase or no later than 65 working days after the effective date of the price increase.

amendment to SLC 23 and SLC 14 such that all customers in debt will have 30 working days to repay their debt and this period would begin from the date the customer in debt receives a debt blocking notice.

Therefore, we do not consider that since customers will get a 30 calendar days advance notice proposal 3 should be removed. In fact our proposal would be an overall improvement to the current arrangements and retain an important protection for customers in debt. In particular our proposal will improve on the current requirement by extending this provision to all customers in debt and not only to those customers in debt who receive a price increase notice less than 5 working days in advance or after the effective date of the price increase or variation. Some of the merits of our proposal also include:

- i. protecting consumers in circumstances where they may be unaware of unpaid charges or the amount of unpaid charges, which can only be clarified once customer receives a final bill stating outstanding charges; and
- ii. preventing supplier from blocking transfers in respect of debts which arise after the customer is notified of a price increase/variation.

Proposal 4: Proposal to make no change to the 15 working day (subparagraph 23.6 (b) of SLC 23) period for notice under relevant industry codes (the Master Registration agreement/Network code).

The same supplier, who suggested the removal of proposal 3, also suggested removal of proposal 4 arguing that this 15 working day period for notice is no longer needed given the proposed 30 day advance notice period.

At this stage we see no compelling reason to revise or modify this proposal, but will continue to look closely into the working of this provision and any impact of the implementation of requirements of the new Gas and Electricity Directives in respect of a maximum three week switching period.

Post implementation review

One supplier requested further information on timings of any post implementation review of amendments to SLC 23 by Ofgem.

With regards post implementation review it is our intention to evaluate the impact of the proposed licence modifications in a number of ways, including through our ongoing market monitoring activities and through investigations into specific complaints.

Decision

The Authority has decided to proceed with all the modifications proposed in the statutory consultation notice issued on 09 February 2011 without further amendment. The modifications will take effect on and from 00:00 hours on 28 April 2011.

The Authority has decided that the modifications are necessary to protect the interests of gas and electricity consumers. Statutory directions modifying the standard conditions of all electricity and gas supply licences have today been issued to all relevant licensees. A list of licensees and a copy of the statutory directions can be found on the Ofgem website.

Please contact Meghna Tewari, Senior Economist, Retail and Market Processes (020 7901 7000, meghna.tewari@ofgem.gov.uk) should you have any queries.

Yours faithfully,

Ian Marlee
Partner, GB Markets

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