



Gas or Electricity Supply Licence Holders, consumers and their representatives, and interested parties

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

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Dear Colleague

### **Ofgem's Retail Market Review – update and next steps**

This letter updates stakeholders on the process of Ofgem's Retail Market Review (RMR) and our plan for the coming months.

The consultation period for the RMR domestic proposals closed on 23 February 2012. We received 26 formal responses and 19 detailed emails<sup>1</sup> and phone calls from consumers and other stakeholders. Today, we have published the non-confidential responses on our website. We have also held bilateral meetings with energy suppliers and a number of consumer organisations.

Responses to the RMR non-domestic consultation, which closed on 15 February 2012, were published on our website recently. We received more than 50 formal responses to this consultation and 330 emails from consumers and other stakeholders.<sup>2</sup> We have also held bilateral meetings with several stakeholders and have met others in various fora.

We thank all those who have engaged with our consultations.

A wide range of views was evident in responses to both the domestic and non-domestic consultations. While some elements of our proposals had broad support, other elements were more contentious. Importantly, even where there was high level support for our proposals, there were differences of opinion as to the most appropriate way forward. We continue to study all the responses and will look to develop our proposals in the light of these alternative perspectives where we see fit. As planned, we will also conduct further research and analysis of the potential impacts of our proposals and will seek to quantify these impacts where it is possible to do so. To help us in this process, we will be looking to work with stakeholders to gain a better understanding of the areas of concern and will be taking forward some of the policy design work with consumer bodies and industry.

We have seen a range of developments from a number of suppliers on tariff simplicity, better communications<sup>3</sup> and several initiatives to restore consumer trust by establishing a more open dialogue with consumers. This is evidence that Ofgem's intervention through

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<sup>1</sup> Including a submission co-signed by over 2,500 consumers.

<sup>2</sup> Many consumers' emails had identical contents.

<sup>3</sup> Including better communications where a supplier has objected to a customer being transferred.

our Retail Market Review is producing real change for consumers and we expect suppliers to do more in this regard.

We remain committed to introducing further regulatory reforms to improve quality of service and to reduce tariff complexity. Appropriate and proportionate regulatory measures that apply consistently across the market are necessary to allow consumers to compare tariff offerings from different suppliers.

We believe that enforceable regulatory reform, backed-up by Ofgem's powers to impose financial penalties, is an essential component of improving consumer trust and engagement in the market. Government is also considering giving Ofgem powers to offer consumers redress in addition to our powers to impose financial penalties on companies who breach their licence conditions.

Given these recent developments, the responses to our consultation and the need to ensure that our RMR reforms can take account of government initiatives such as Electricity Market Reform, we aim to publish our updated proposals for consultation before the winter. This will include an updated version of our proposals setting out our way forward and draft impact assessments.

In line with our objectives under the gas and electricity directives, Ofgem is committed to improving the effective functioning of the retail energy markets. In working towards this, we remind stakeholders of our statutory duties, including our duties towards vulnerable customers. We want a market in which suppliers work in the interests of all their customers, and their behaviour engenders trust in the market as well as enabling active consumer engagement. We will continue to work closely with consumer stakeholders and the industry to realise this aim.

If you wish to discuss any of the issues raised in this open letter, please email [rmr@ofgem.gov.uk](mailto:rmr@ofgem.gov.uk) or contact David Hunt on 020 7901 7429.

Yours sincerely,

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