

Press Release

21 February

OFGEM STARTS COUNTDOWN TO A SIMPLER, CLEARER AND FAIRER ENERGY MARKET

- **Tough new standards of conduct making suppliers treat consumers fairly due to come into force this summer**
- **Cap on tariff numbers and other reforms due to go live later this year to deliver simpler and clearer market**
- **Suppliers urged to support Ofgem reforms so customers can see benefits quicker**

The Government has today backed Ofgem's countdown to simpler, clearer and fairer energy market.

Prime Minister David Cameron said: "Even in these tough times when we're having to take the difficult decisions needed to fix our economy, we're doing everything we can to help hardworking people and families. That's why I made a personal commitment to help get energy bills down - and I'm delighted that Ofgem are taking that forward. The package announced today is a huge step towards energy bills that are more fair for everyone. This is about putting people before profits. It's about pensioners being better able to heat their homes in winter, and families better able to cope when the bills arrive.

"Our aim is that consumers will get the best possible energy tariff - no tricks, no loopholes - and we will use the powers we gained in the Energy Bill earlier this month to make sure this happens. The Bill will support this package, and make sure that all energy customers are put on their supplier's lowest variable rate unless they choose otherwise."

Secretary of State Edward Davey said: "These reforms are absolutely vital and we want Ofgem to press ahead with implementing them as soon as possible. We know people are feeling the pinch, and want to help consumers with their energy bills and ease the squeeze on living standards.

"Reducing the bamboozling array of tariffs on offer and making energy bills simpler so that people are better able to switch is fundamental to this. We are confident that Ofgem's reforms will achieve our aim of ensuring that consumers get their supplier's lowest variable rate unless they choose otherwise, and we have taken additional powers through the Energy Bill to ensure this will happen even if Ofgem's reforms are delayed or frustrated."

Ofgem's reforms are due to come into force from this summer. The wide-ranging proposals include making the market simpler as suppliers will be restricted to offering no more than four simple core tariffs per fuel type (electricity and gas). This will put an end to the complex and confusing range of offers consumers currently have to pick through.

Suppliers will have to make electricity and gas more transparent for consumers through clearer bills that will show their cheapest tariffs. Consumers will also get fairer

treatment as suppliers will have to keep to strict enforceable standards of conduct backed by Ofgem's power to levy fines.

Alistair Buchanan, Ofgem Chief Executive, said: "We are now counting down to the most radical shake-up of the energy retail market since competition began. We know suppliers are serious about wanting to restore consumer trust and they need to grasp this golden opportunity to change their behaviour and get behind Ofgem's reforms so consumers get the simpler, clearer and fairer energy market they deserve.

"My message to the suppliers is – don't wait for the legal process to take effect. Most have already embraced the reform agenda and now the way is clear for all of them to work with Ofgem to bring in reforms as soon as possible."

Following its consultation last October the most important aspects of Ofgem's proposals remain unchanged.

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Notes to Editors

1. Timetable for the changes:

Last week Ofgem's governing authority gave approval to the overall policy for reforms to the household energy market and Ofgem is now preparing for a statutory consultation on the effect of the final proposals. This includes the detailed wording of the proposed licence conditions which are intended to put the reforms in place.

This statutory consultation will be published around the end of March and stakeholders will have around a month to respond. A decision on whether or not to implement the reforms will be published in May. In the event that a decision is made to implement the reforms, licence holders (including suppliers), trade bodies representing licence holders and Consumer Focus will have 56 days to decide whether they should appeal against the reforms to the Competition Commission. If an appeal is not lodged, the reforms can start to take effect this summer starting with the enforceable standards of conduct. The cap on tariff numbers and the other reforms are due to be in place from next winter (2013-2014).

2. Updates to Ofgem's position since last October's consultation:

There have been some changes to the reforms since Ofgem's updated proposals last October. They include clarifying how tariffs offered by supermarkets and other organisations using energy supplied by suppliers will be affected by the reforms. Ofgem has also confirmed that at this stage suppliers will only be able to provide green tariffs as one of the four core tariffs they offer.

3. What are Ofgem's reforms?

Ofgem wants to make the household energy market simpler, clearer and fairer for consumers

Simpler – making it easier to compare suppliers

- Four "core" tariffs to cut the baffling array of tariffs currently on the market. That will actually mean four tariffs per fuel type (electricity and gas), which would apply to each payment type.

- Dual fuel discounts will remain, and will not be considered as “core tariffs” but as a discount. They will be simplified and will apply uniformly across all tariffs as £/pence per year. Discounts for paperless billing will be treated in the same way. For example, a supplier would be able to offer a direct debit customer a choice of no more than four electricity and four gas tariffs. The customer could then choose a dual fuel discount and a paperless billing discount.
- All tariffs have a standing charge and unit rate.
- Certain ‘dead’ standard or variable tariffs no longer available to new customers will be banned to reduce the overall number of tariffs and reduce the risk of people paying too much. Suppliers will only be able to keep consumers on dead tariffs if they offer them value for money. Otherwise they will be transferred to their supplier’s cheapest variable deal. A new tariff information label will set out key terms and conditions and relevant information to help consumers compare across suppliers.

Clearer – introducing new tools to help switching

- Suppliers will be required to give all their customers personalised information on the cheapest tariff they offer for them.
- Ofgem has proposed a pilot scheme where suppliers offer their vulnerable customers and others who haven’t switched for some time a personalised estimate on the cheapest tariff from across the energy market. Ofgem will set up a working group with energy suppliers and consumer groups to discuss how these scheme could run and consider broader issues around these proposals.
- New rules requiring all information suppliers send to consumers to be simplified, more engaging and easier to understand.
- Suppliers will use a new Tariff Comparison Rate (TCR), in their communications to help customers compare tariffs. Ofgem is also proposing personalised estimates with customers’ usage to help them compare tariffs more accurately when switching.

Fairer – building trust in the energy market

- New enforceable standards of conduct will enable Ofgem to take action against suppliers where they have failed to treat customers fairly. This will place an overarching condition on suppliers to consider consumers’ needs and treat them fairly.

Added protections for customers on fixed term contracts, including:

- banning price increases or other changes to fixed term tariffs (except trackers or structured price increases set out in advance which are fully in line with consumer protection law);
- banning practices whereby customers are rolled onto further fixed term contracts without their consent;
- providing a no-exit fee and 42 day switching window before the end date to their fixed term tariff before switching to a new tariff.

Join @ofgem to discuss the RMR proposals on Twitter on #simplerclearerfairer

4. Last October Ofgem also proposed a set of reforms to help businesses get more out of the energy market. Before Easter Ofgem will publish its final proposals for these reforms.

5. Ofgem is the Office of the Gas and Electricity Markets, which supports the Gas and Electricity Markets Authority, the regulator of the gas and electricity industries in Great Britain. The Authority's functions are set out mainly in the Gas Act 1986, the Electricity Act 1989, the Competition Act 1998 and the Utilities Act 2000. In this note, the functions of the Authority under all the relevant Acts are, for simplicity, described as the functions of Ofgem.

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