



Making a positive difference
for energy consumers

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Date: 20 February 2014

Dear Sir/Madam

Request For Information – Standing charge for gas customers with zero consumption

Ofgem has received correspondence from consumers, their elected representatives across Great Britain, and from consumer bodies on the impact of standing charges on certain groups.

This correspondence has highlighted a number of concerns about the fairness of some consumers, who do not use their gas supply and therefore have zero consumption, having to pay a standing charge. Typically, these consumers will have a gas meter and supply in their property, but use electricity for heating and cooking. Many may therefore have previously been on zero-standing charge tariffs and hence paid nothing.

In a number of cases, consumers are being advised by their suppliers to have their gas meter removed in order to avoid paying a standing charge. We are aware of consumers who are social tenants and who may not have that choice. As a result, they are now faced with paying a standing charge for a gas supply that they do not use.

We are particularly concerned about how the treatment of these consumers links to the obligations on all energy suppliers under the Standards of Conduct (SOC). The SOC was introduced on 26 August 2013 as an enforceable obligation on suppliers to treat consumers fairly. It is up to suppliers to ensure they achieve the outcomes of fair treatment under the SOC. This should include suppliers:

- (i) taking action to understand consumer needs – not just consumer ‘wants’. Consumer needs should be accounted for and reflect consumer preferences;
- (ii) considering how best to meet these needs through their products, processes; and
- (iii) making appropriate changes to their systems and processes to embed the SOC into all levels of their business.

The SOC does not impose restrictions on the level of charges for supply prices that energy suppliers charge, with the exception of Deemed Contracts. The SOC, however, does apply to a determination of whether it is fair to charge for a given product or service, including the circumstances in which a charge is levied.

Given this, we would like to understand:

- what consideration you have given to the treatment of these consumers with zero consumption and what actions you have taken, or plan to take, or are considering at this time, to ensure that you are operating in line with the SOC in this area; and
- what advice you have given to these consumers about the options available to them to avoid paying a standing charge as well as the cost (if any) to individual consumers of these options.

Finally, we are interested more generally to understand the steps you are taking to meet the needs of your low consuming electricity and gas customers who may be impacted by standing charges. We welcome any information you have in this area, including the help and advice you currently provide this segment of customers and plan to provide in the future.

Relevant Authority function

We are requesting this information under our general market monitoring functions under section 34 of the Gas Act 1986 and section 47 of the Electricity Act 1989. We draw your attention to section 43 of the Gas Act and section 59 of the Electricity Act, which create an offence of providing false information. The relevant statutory provisions are set out in Annex 1.

Confidentiality and disclosure

Any information provided to Ofgem which relates to the affairs of an individual or a particular business will normally be subject to statutory restrictions on disclosure under section 105 of the Utilities Act 2000. However, you should note that there are exceptions to the statutory restrictions, including where the disclosure is necessary to facilitate the statutory functions of Ofgem (e.g. publishing information to promote the interests of consumers) or other public bodies.

You should note that Ofgem cannot provide any assurances in relation to the treatment of information which may be the subject of a request made under the Freedom of Information Act 2000 ("FOIA"). However, we can confirm that Ofgem will always consider whether the statutory restrictions on disclosure apply to the requested information and therefore whether one or more of the FOIA exemptions apply.

Before deciding whether to publish any information relating to the affairs of a particular licence holder or business, Ofgem is required to consider whether it is appropriate to redact any information on the basis that the information would or might, in our opinion, seriously and prejudicially harm the interests of that person ("confidential information"). In order to enable Ofgem to conduct this assessment (in the event that the possibility of publishing information is considered), we would ask that you indicate in your response whether you consider any information to be confidential information and provide brief reasoning in support of your views. Where appropriate, we may seek further representations at a later stage in respect of any specific information Ofgem is proposing to publish.

Your response

Please send all responses by 07 March 2014, either by email to Thomas.Lydon@ofgem.gov.uk or by post to:

Retail Market Policy (c/o Thomas Lydon)
Ofgem
9 Millbank
London
SW1P 3GE

Thank you in advance for your cooperation in this matter. If you have any questions about this request, please contact my colleague, Thomas Lydon, on 0203 263 2741.

Yours faithfully,



Maxine Frerk

Annex 1 MAKING OF FALSE STATEMENTS

Section 43 of the Gas Act 1986

(1) If any person, in giving any information or making any application for the purposes of any provision of this Part, or of any regulation made under any provision of this Part, makes any statement which he knows to be false in a material particular, or recklessly makes any statement which is false in a material particular, he shall be guilty of an offence and liable—

- (a) on summary conviction, to a fine not exceeding the statutory maximum;
- (b) on conviction on indictment, to a fine.

Section 59 Electricity Act 1989

(1) If any person, in giving any information or making any application under or for the purposes of any provision of this Part, or of any regulations made under this Part, makes any statement which he knows to be false in a material particular, or recklessly makes any statement which is false in a material particular, he shall be liable—

- (a) on summary conviction, to a fine not exceeding the statutory maximum;
- (b) on conviction on indictment, to a fine.