



Making a positive difference  
for energy consumers

To all stakeholders

27 March 2014

Dear stakeholder

### **The Authority's position on future financial penalties**

In March 2013 the Authority announced a new Vision for our enforcement work: to achieve a culture where businesses put energy consumers first and act in line with their obligations. To achieve this, our Strategic Objectives for enforcement emphasise the need to deliver credible deterrence and ensure visible and meaningful consequences for businesses that fail consumers and do not comply. We have been reviewing our approach to imposing financial penalties so as to ensure we achieve these objectives.

Credible deterrence is a central part of any enforcement regime. The Authority considers that enforcement should deliver strong deterrence against future non-compliance, and ensure that regulatory compliance is given sufficient focus within businesses. The Authority has decided to place a greater emphasis on deterrence when imposing penalties for future breaches. This is likely to mean a substantial increase from the levels of penalty that it has typically imposed to date. When setting the amount of a penalty, the Authority will also continue to recognise the value of companies promptly reporting to Ofgem and putting right any non-compliance that they have identified.

The Authority will apply the penalty increase under our existing penalties policy in investigations where the behaviour in question comes to our attention on or after 1 June 2014.

We will very soon be consulting on revisions to our penalties policy. The revisions will maintain the increased emphasis on deterrence. The consultation will also set out how we expect to use our new consumer redress powers. Subject to the outcome of the consultation, we expect a new penalty policy to come into force in the autumn.

Yours faithfully

**David Gray**  
**Chairman, Gas and Electricity Markets Authority**