



Making a positive difference
for energy consumers

Energy suppliers, consumer groups and other interested parties

Date: 11 March 2015

Open letter – Improving suppliers’ standards of conduct towards consumers

In August 2013, Ofgem introduced enforceable Standards of Conduct for energy suppliers as part of our Retail Market Review reforms. The Standards aim to improve supplier treatment of domestic and microbusiness consumers and to increase trust and engagement in the energy market.

Energy is an essential service and it is fundamentally important that suppliers treat consumers fairly. The onus is on suppliers to embed the principle of fairness within and across their businesses. They are responsible for treating all consumers fairly, not least those that are considered to be vulnerable. Ownership of this principle at Board and Senior Management levels of energy supply companies is key to embedding the processes, systems and behaviours that will deliver better outcomes for consumers. As regulator, we are committed to supporting suppliers in achieving these outcomes.

With this in mind, I chaired an independent, senior-level ‘Challenge Panel’ late last year to help us understand the progress made by energy suppliers. I am grateful for the effort many suppliers put into this process.

We have today published a report based on the Panel’s assessment of how suppliers have embraced the Standards. The Panel thought that, overall, considerably more needs to be done by energy suppliers to ensure consumers are placed right at the heart of their business. Nevertheless, the Panel process has shown some examples of good practice developing. Over time, these may help to more consistently achieve better outcomes for consumers. The report also highlights the need for suppliers to continue focusing on embedding the Standards and that all energy suppliers will face their own challenges.

The Panel recognised the variety of approaches taken by large and smaller suppliers to driving the necessary cultural change. This includes innovative ways to capture consumer feedback and establish a better understanding of what consumers value. However, at this time of record consumer dissatisfaction, it is clear that there is no room for complacency.

The Standards are an important step in the direction we would like to take towards regulation based more on principles and consumer outcomes, and less on detailed rules. Such a move has the potential to provide more effective protection for consumers. This

more flexible regulatory approach should also be more suited to encouraging the new business models and products we expect to emerge with the smart meter roll out.

We plan to run the Challenge Panel process again later this year. In addition to sharing good practices through the publication of today's report, I will also personally continue to meet with the senior management of energy suppliers to understand their progress in embedding the principle of treating consumers fairly. We will also be engaging with stakeholders over the coming months to seek their views on regulation based more on principles and consumer outcomes.

I encourage all suppliers to read the report on the Panel's findings and to consider seriously where there are further opportunities to embed and accelerate a culture of fairness across every level and every function within their own organisation. I invite suppliers and other interested stakeholders to provide us with feedback on the report. Please forward comments to StandardsofConduct@ofgem.gov.uk.

Yours faithfully,

A handwritten signature in blue ink, appearing to read 'Dermot Nolan'.

Dermot Nolan
Chief Executive Officer