

To all stakeholders

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Dear stakeholder,

Annual strategic enforcement priorities for 2015-16

The Authority's enforcement vision is to achieve a culture where businesses put energy consumers first and act in line with their obligations. We carry out enforcement cases to support the Authority in realising that vision, and also to deliver the five Consumer Outcomes set out in our corporate strategy, for the benefit of consumers.¹

When we decide whether to open an enforcement investigation, we apply our permanent case prioritisation criteria (set out in section 3 of our Enforcement Guidelines²). These are bolstered by our annual enforcement priorities which help us to concentrate, for short periods of time, on specific problems, targeting particular conduct and learning from our work.³

Collectively, the criteria are designed to help us realise the Authority's vision for its enforcement activities. They also help us to assess which cases to pursue in order to deliver credible deterrence and meaningful consequences when businesses fail consumers, in line with the Authority's strategic objectives for enforcement.

We have reviewed our annual strategic enforcement priorities for the year ahead, which give effect to the themes of the Authority's Forward Work Programme for 2015-16⁴ and the projects under them. We have also focused on the Consumer Outcomes and identified recent trends in our enforcement data.

Based on these objectives and information, the Authority has adopted the following strategic enforcement priorities for 2015-16:

1. Ensuring companies provide accurate information and deliver benefits to consumers on time

In 2014, our annual priorities were: to adopt a low tolerance approach to all inaccurate, misreported and late data; and to send a strong signal that non-compliance with deadlines is not acceptable.

This priority continues to target missed deadlines and misreported information, to ensure positive outcomes for consumers through energy companies' accurate reporting and by delivering their obligations in a timely way. This is important, for example, in view of the rolling

¹ <https://www.ofgem.gov.uk/ofgem-publications/92187/corporatestrategy.pdf>

² <https://www.ofgem.gov.uk/ofgem-publications/92045/enforcementguidelines12september2014publishedversion-pdf>

³ For a full report on our enforcement work and investigations in the last year, see our Enforcement Overview 2014-15: <https://www.ofgem.gov.uk/ofgem-publications/94302/ofgemenforcementoverview201415-pdf>

⁴ <https://www.ofgem.gov.uk/ofgem-publications/94196/forwardworkprogramme2015-1625march2015-pdf>

out of advanced and smart meters, and the meeting of environmental obligations to deliver outcomes for consumers.

It is ultimately consumers who feel the impact of poor reporting, so it is very important that we can be sure that companies are behaving and delivering as expected. This includes companies providing correct information, for example: when they apply to take part in the capacity market auction; when they provide data required for the monitoring and operation of network price controls; and in order to fully comply with information requests for our market reviews, enforcement investigations, and environmental schemes.

2. Taking action where company behaviour is likely to stand in the way of consumer choice or trust in the market

This priority highlights the importance of consumer choice, trust and empowerment in competitive energy markets. We will focus on maintaining trust in the market and tackling behaviour that impacts consumer choice, whether directly or indirectly. For example, where companies create obstacles to switching supplier; where monopolies impose barriers to competition in distribution network connections; or in cases of market manipulation.

3. Taking action where we see evidence of serious shortcomings in a company's culture and attitude towards compliance

This priority aligns with our desire to rely more on principles and outcomes in the way we regulate and our current focus to promote both a stronger consumer focus and good compliance in energy markets. We are not only concerned about problems arising in the market, but how companies address them and the preventative steps which they take to avoid them in the best interests of consumers, for example by:

- preparing to avoid failures which affect consumers during major system changes
- implementing fit for purpose compliance arrangements for REMIT⁵
- providing good customer service and complaints-handling arrangements, and
- in the case of network companies, meeting the obligations which they are funded to deliver.

In making this a priority, we can focus enforcement action where companies fail to do so, and where such shortcomings lead to breaches and actual or potential consumer harm.

In order to help shape certain company behaviours in respect of the above priorities and aims, we may find it appropriate to retain these during our 2016 review of the annual priorities, if we feel that further work is needed in these areas.

We still expect companies to take all their compliance obligations seriously and to put consumers first, in line with our enforcement vision. Our general prioritisation criteria give us the flexibility to continue tackling other poor behaviour we identify, using our full range of enforcement tools. Alongside these, the annual strategic enforcement priorities set out above will help us to deliver an energy market where consumers receive the benefits and service to which they are entitled.

Yours sincerely,

Sarah Harrison
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⁵ The EU Regulation on Wholesale Energy Market Integrity and Transparency (REMIT), which Ofgem has powers to enforce.