

To all stakeholders

Email: Enforcement@ofgem.gov.uk

Date: 30 June 2016

Dear stakeholder,

Annual strategic enforcement priorities for 2016-17

Enforcement is a significant element of Ofgem's work. We are committed to making a positive difference for energy consumers and ensuring meaningful consequences for businesses that fail consumers and do not comply with their licence and other legal obligations. Our vision for enforcement activity remains to achieve a culture where businesses put energy consumers first and act in line with their obligations.

We actively monitor compliance, and take a proportionate approach to compliance and enforcement. It is important that we target these activities appropriately, and our annual enforcement priorities are one of the tools we use to ensure that our enforcement action is focused on areas that will enhance this vision and best support the needs of consumers.

In considering this year's annual priorities we have reflected on our evolving approach to compliance and enforcement in response to the evolving markets we regulate and the tools we use to do this (for example, an increasing reliance on principles in the retail market).

The Authority has adopted the following priorities for the year ahead:

1. Taking action where industry behaviour fails to meet obligations for consumers in vulnerable circumstances.

Protecting and supporting consumers in vulnerable circumstances is a key consideration for Ofgem, and has been a significant policy focus for the organisation over the past year. We have recently introduced changes to the Priority Services Register (PSR) and have had a particular focus on ensuring PPM customers are treated well.

This enforcement priority reflects our desire to ensure that the needs of vulnerable consumers are being met and that these customers are receiving the support they require. We know that vulnerable consumers interact with different industry participants (including suppliers and networks), and we will prioritise enforcement action where we see that industry is not taking the needs of these consumers seriously.

2. Taking action where there are serious shortcomings in a company's attitude and culture towards compliance.

This was an annual priority last year and remains an area of particular significance in the context of our transition to an increasing reliance on principles to regulate the retail

market. Companies should have an organisational culture which includes giving early consideration to the delivery of positive consumer outcomes in all they do, and take this into account in their approach to compliance with our rules. We also expect licensees to engage constructively with Ofgem to ensure that positive outcomes are being delivered. This is especially important as we continue to build trust in the market.

As we said last year, 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. We will therefore continue to take action where we believe problems have arisen as a result of an underlying culture of non-compliance or lack of regard for delivering positive outcomes for consumers.

3. *Taking action where companies are failing to treat their domestic and microbusiness customers fairly through the Standards of Conduct.*

Our enforceable Standards of Conduct (SoC) will continue to play an increasingly important role in our regulation of the supply market. Suppliers must consider the fair treatment of customers and delivery of positive consumer outcomes at all times. We used the SoC successfully last year to address instances where we saw consumers had not been treated fairly – this led to record penalties and also sent a clear signal about the importance we place on the delivery of positive consumer outcomes.

This priority will help us further focus enforcement action where we see suppliers failing to treat their customers fairly. This includes using the Standards of Conduct to protect both domestic and microbusiness consumers. We expect suppliers to take fairness into consideration in all that they do, with an increasing focus on instances where microbusinesses have not been treated fairly. We are aware that many microbusinesses experience poor consumer outcomes within the energy market and we will be seeking to address this.

These priorities are intended to complement our published list of ongoing case opening criteria¹ and do not preclude enforcement activity in other areas. We expect companies to take all their compliance obligations seriously and to put consumers first.

Yours sincerely,

Martin Crouch
Senior Partner, Improving Regulation

¹ <https://www.ofgem.gov.uk/ofgem-publications/92045/enforcementguidelines12september2014publishedversion-pdf>