

Suppliers, consumer groups and  
other interested parties

Date: 19 July 2017

Dear stakeholders,

### **The future of retail market regulation: making the rulebook more accessible**

We intend to make the supply licences and associated guidance more user-friendly, and recently asked stakeholders how they think we should do this. This letter explains what they told us, and the changes we plan to make.

#### **What we've done so far**

We've committed to relying more on enforceable principles rather than prescriptive rules. This will:

- help us effectively protect consumers in an evolving market
- allow more room for suppliers to compete and innovate
- put responsibility firmly on suppliers to deliver good consumer experiences.

We have made good progress in moving the retail market to a more principles-based framework. Principles are enforceable requirements on suppliers, for example the principle that suppliers 'treat customers fairly'.

We've removed almost 50 pages of prescriptive rules from the supply licences and introduced five new principles that regulate how tariffs are sold and marketed to domestic customers. We've proposed amending the Standards of Conduct so they focus more sharply on consumer experiences. We've also proposed to introduce new broad principles requiring suppliers to enable consumers to make informed choices and to have special regard for consumers in vulnerable situations. We're now reviewing the rules relating to supplier-customer communications.

Our progress to date has already helped make the supply licences more accessible for stakeholders. We've replaced many detailed prescriptive rules with a smaller number of principles that clearly state the outcomes we expect to see. Our review of the customer communications rules will continue this.

We want to build on this and continue to make it easier for relevant parties to find, navigate, and interpret supplier obligations. We think this will help achieve our overall objectives by making it easier for stakeholders to:

- understand what we expect of suppliers
- locate information to help suppliers deliver good consumer outcomes.

We remind suppliers that it is still their responsibility to understand and comply with our rules. If their failure to do so causes consumer harm, we stand ready to take action.

## **What stakeholders told us**

Building on stakeholder engagement and suggestions over the past year, we recently asked stakeholders targeted questions about how accessible they find the rulebook now, and what could improve this. We're grateful to those who responded. The responses we received have informed the changes we intend to make.

We asked them how easy they currently find it to (a) locate energy supply obligations and supporting information (including being aware that they exist), (b) navigate them and (c) understand them. Responses varied but showed significant scope for improvement. Some common themes emerged:

- It can be difficult for new entrants to find out about and locate the full range of energy supply obligations. A consolidated list of obligations would help.
- Rules tend to be drafted in an overly legal way, which can make them difficult to interpret. Regulatory staff often have to 'translate' rules for others.
- There are sometimes interactions between different rules in the supply licences that aren't made explicit, which can make navigation harder.
- Licence drafting does not always explicitly capture the policy intent of a rule, so stakeholders must track down other documents to understand this.

We suggested a number of changes we could make, and asked stakeholders which they would find most helpful. Stakeholders told us to focus on two areas:

1. Making it easier to find and access supporting information outside the supply licences. Stakeholders strongly supported us providing links to supporting information, either alongside specific rules or in a central location. This could include guidance, previous enforcement cases and other related obligations.
2. Making it easier to understand specific rules. Stakeholders wanted us to clarify the rules, for example by summarising the high-level obligations and/or policy intent in each licence condition. Some wanted us to redraft individual rules, without changing the policy intent, to make them clearer.

## **What we propose to change**

We've previously committed to restructuring the supply licences so they are easier to navigate, potentially using the themes of the customer journey.<sup>1</sup> Stakeholders have told us that this is not a priority area for them and we should focus instead on the areas above. We're therefore proposing to develop something that sits outside the licence, rather than making physical changes to the licences at this time. We believe this will be of greater benefit for stakeholders, and will enable us to deliver changes more quickly.

We're planning to develop licence guides for different themes of the licence. These are likely to be based on the customer journey, as previous stakeholder feedback has indicated this would be most intuitive. Each guide will:

- list licence conditions relating to that theme
- summarise the overarching objectives/policy intent for these rules
- link to supporting information relating to that theme.

We'll put these guides in a central information hub on our website and signpost stakeholders to this as effectively as possible. This central page could also contain links to other helpful pages on our website.

---

<sup>1</sup> [The future of retail market regulation – Update on the way forward](#) (p.6-7), June 2016. [Standards of conduct for suppliers in the retail energy market](#) (p.39-40), January 2017.

The guides will not be a substitute for suppliers reading the licences and satisfying themselves that they understand and are complying with their obligations. Rather, they are intended to provide an introduction to what's in the licence in a more intuitive way and make it easier for stakeholders who are less familiar with the rules to understand them. They should also make it easier for all stakeholders to find supporting information outside the licences.

Although some stakeholders wanted us to redraft individual rules to make them clearer, we're not proposing to do so as part of this work. We agree with the point a few stakeholders raised, that there is a risk of unintentionally changing policy in the process of doing this. We're also reviewing parts of the licence through our wider work, and will look to draft rules clearly as part of this. We think our proposals will be of more value to the majority of stakeholders than a detailed review of other parts of the licence where we redraft rules just for clarity.

### **What's next**

We'll be undertaking this work in stages and aim to publish all the guides by the end of this year. We welcome feedback from stakeholders to let us know if the guides are helpful and if there are other relevant materials they think we should signpost to, etc.

We may wish to test these guides with a small number of stakeholders, to get more specific feedback. If you are interested in being involved, please get in touch with us at [FutureRetailRegulation@ofgem.gov.uk](mailto:FutureRetailRegulation@ofgem.gov.uk).

We also welcome feedback from stakeholders on our proposals at this stage. Please get in touch with us if you have views that you would like to share with us, either in writing or in person. We would be happy to hear from you.

Yours faithfully,

**Neil Barnes**

**Associate Partner, Consumers & Competition**