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Consumers and Competition,
Ofgem,
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Submitted via email to: FutureRetailRegulation@ofgem.gov.uk

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Default tariffs for domestic consumers at the end of fixed-term contracts

Dear Barry,

Energy UK is the trade association for the energy industry. We represent over 90 members made up of generators and gas and electricity suppliers of all kinds and sizes as well as other businesses operating in the energy industry. Together our members generate more than 90 per cent of the UK's total electricity output, supplying more than 26 million homes and investing in 2012 more than £11 billion in the British economy.

Energy UK strongly believes in promoting competitive energy markets that produce good outcomes for consumers. In this context, we are committed to working with Government, regulators, consumer groups and our members to develop policies which enhance consumer trust and effective engagement. At the same time, Energy UK believes in a stable and predictable regulatory regime that fosters innovation, market entry and growth, bringing benefits to consumers and helping provide the certainty that is needed to encourage investment and enhance the competitiveness of the UK economy.

These high-level principles underpin Energy UK's response to Ofgem's 'Default tariffs for domestic consumers at the end of fixed-term contracts' statutory consultation. We would be happy to discuss any of the points made in further detail with Ofgem or any other interested party if this is considered to be beneficial.

Energy UK's Response

Energy UK welcomes the publication of Ofgem's statutory consultation on "default tariffs for domestic consumers at the end of fixed-term contracts". We also welcome Ofgem's ambition to develop a regulatory framework which supports a move towards a more dynamic energy market.

Energy UK is dedicated to ensuring that consumer protection is at the forefront of any regulatory change. Energy UK supports Ofgem giving suppliers greater flexibility around how they look to support customers at the end of a fixed term contract. We believe the proposed provision of the default tariff rollover will enable suppliers to move customers onto more appropriate deals as their existing fixed term contracts expire, whilst ensuing customers remain free to switch between suppliers, both of which Energy UK support.

Energy UK and our members would, however, ask Ofgem to recognise that being automatically rolled over onto a better tariff may have implications for the way in which engagement is measured or the interpretation that is placed on certain statistics. It may be rational for engaged customers, if they know they will be saving money without having to take measurable actions, to take a conscious decision to allow the roll over process to run without active intervention on their part. It is important that this is understood by Ofgem and reflected in any market monitoring.

Before publishing its final decision we would also encourage Ofgem to:

- Resolve the following difference in wording between the draft Licence Conditions to the policy intent set out in the statutory consultation. In the consultation, Ofgem state that a default tariff

should be “*similar in nature*’ to the customer’s existing tariff. However, the draft Licence Condition amendments refer to terms and conditions that are ‘*as similar as possible*’. We are concerned that the latter’s prescriptive phrasing may restrict Licensees’ ability to answer the policy intent of the proposal.

- Carefully consider the implications for the rules around Cheapest Tariff Messaging (CTM). The proposed Statutory Consultations proposed changes make it all the more crucial that Ofgem urgently review the CTM rules to ensure they remain fit for purpose and do not potentially mislead consumers.

I hope you find our comments useful. If you would like to discuss the above or any other related matters, please contact me directly on 0207 747 2931 or at cathal.mcsweeney@energy-uk.org.uk.

Regards,

Cathal McSweeney,
Policy Manager