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Dear Meghna

Proposed modifications of Standard Licence Condition (SLC) 23 of the gas and electricity domestic supply license: period for notifying unilateral contract variations and other consequential issues

Consumer Focus is the independent champion for consumers across England, Wales, Scotland, and for postal consumers in Northern Ireland. We operate across the whole of the economy, persuading businesses and public services to put consumers at the heart of what they do.

Consumer Focus welcomes the opportunity to respond to Ofgem's consultation. We have commented on each of the five proposals below.

Proposal 1: Amendment of current SLC 23 such that suppliers provide at least 30 calendar days advance notice to customers of a price increase or unilateral variation which is to the significant disadvantage of the customer.

In our consultation response of October 2010 we expressed our support for Ofgem's proposals for suppliers to provide at least 30 Calendar Days advance notice of price rises. Consumer Focus has long been critical of the 65 day rule as we believe it caused detriment to consumers and undermined confidence in the energy market.

We agree with Ofgem that the amendment will have a number of positive impacts on consumers.

These positive impacts were outlined in our earlier consultation response:

- Consumers being able to better manage their household budget
- In-debt consumers having greater freedom to switch
- Consumers being better able to provide meter readings to ensure more accurate billing
- An increase in consumer confidence
- In addition to this, Consumer Focus would like to emphasise again that all price rise notifications must be sent as a separate letter (or email for online customers) that is clearly distinguishable from marketing materials or other billing information.

In our October response our support for this proposal was depend on an independent assessment of the potential costs incurred.

Using the estimated costs provided to Ofgem by suppliers our rough estimation of the total costs will be (based on 50 million GB gas and electricity customers):

34p per customer to notify them of a price rise by letter
 $£0.34 \times 50 \text{ million} = £17 \text{ million}$

£600,000 for extra call centre costs
 $£600,000 \times 6 = £3.6 \text{ million}$

So the maximum cost to the industry per price rise should be £20.6 million. Assuming that there will be no more than two notifications per year the maximum industry cost per year is £41.2 million.

We agree with Ofgem that projected costs are not prohibitive and in our opinion the benefit to consumers outweighs the potential costs incurred.

In relation to the implications for suppliers' pricing strategies, it is hard to quantify the costs to suppliers from being unable to react to short-term price spikes as a consequence of this proposal. Wholesale prices often go up and down and suppliers aim to reduce their exposure to these price fluctuations by hedging. Therefore we assume these costs might be neutral.

Proposal 2: Consequential amendment of sub-paragraph 23.6(a) such that customers can notify suppliers of their intention to switch to avoid the impact of price increase or variation from the time they become aware of the price increase or variation up to the effective date of the price increase or variation.

In our October consultation response we supported Ofgem's original proposal to allow customers a 20 working-day period in which to notify their supplier of their intention to switch and avoid a price increase. We felt that an overall increase to the period in which a customer could notify their supplier of their intention to switch from 20 working days to approximately 40 working days would be a positive development for consumers, giving them more time to make an informed switching decision. However our support was conditional upon understanding the costs involved.

We understand that suppliers have responded by saying that this proposal will increase their costs. However we are disappointed that suppliers have provided no detail on what these increased costs are and how they will be incurred.

We are therefore disappointed with Ofgem's decision to amend the proposal to reduce the number of days consumers will have to inform suppliers of their decision to switch and avoid the price rise. However we note that even with this amendment consumers will always have at least 30 calendar days to notify their supplier of their intention to switch. We are concerned that this reduction may impact consumers who do not have access to the internet and are reliant on door step or telephone sales for their access to information about the competitive market.

In reference to Ofgem's concerns about the ability of price comparison sites to update tariff information in time, we agree that it is critical that prices on sites are updated in a timely manner in order for consumers to make an informed choice. The Confidence Code requires accredited sites to use all reasonable endeavours to update any new tariff information such as price rises within two days of the details and confirmation of the effective date being provided by the relevant energy supplier. However, it is vital that suppliers help facilitate this process to ensure the provision of timely, accurate and consistent tariff data to service providers. We are keen to work with Ofgem, switching sites and suppliers on this issue, to ensure that updated tariff prices are available to consumers.

Proposal 3: Consequential amendment to sub-paragraph 23.6(c) of SLC 23 (and sub paragraph 14.9(c) of SLC 14) such that customers in debt will have a 30 working day period to pay off outstanding charges from the date the customer receives blocking notice that their current supplier intends to prevent them from changing supplier on grounds of debt.

Consumer Focus is supportive of this proposal. This proposal will ensure that all customers in debt will have 30 working days in which to pay off their debt in order to switch supplier. We agree with Ofgem that this represents a benefit to indebted consumers by increasing the time they have to repay their debt, to avoid a price rise, by 25 days.

In our response to Ofgem's October consultation we again supported this proposal subject to an understanding of the costs involved. We are disappointed that suppliers have not provided enough information for Ofgem to assess potential costs. As a result, Consumer Focus has assumed that the costs are not material and we support the proposal.

Proposal 4: Proposal to make no change to the 15 WD period [subparagraph 23.6(b) of SLC 23] for the supplier to receive notice under the Master Registration Agreement/Network Code which enable customer transfer from old supplier to new supplier.

No comment.

Proposal 5: Clarificatory amendment (including correcting of a reference error) to SLC 23.4(b), 23.6(a) and SLC 24.3(c) which relate to clarity about ending the contract and the circumstances when the prohibition on termination fees applies.

We welcome the clarification from Ofgem on the subject of termination fees. Our understanding is that suppliers are only forbidden from applying a termination fee where a customer has notified the supplier they are ending their contract within the 30 day timeframe specified by SLC 23. Consumer Focus is happy to support this proposal.

Furthermore we welcome Ofgem's intention to produce guidance on the application of SLC 23 on tracker tariffs that include an exit penalty. We urge Ofgem to produce this before any final amendments to SLC 23 are adopted in order to avoid any consumer confusion.

Proposed timeframe

We agree with Ofgem on the proposed timeframe of one month to implement any final changes.

If you would like to discuss these comments further, I would be happy to follow them up with you either in person, via telephone on 020 7799 7972 or by email hannah.mummery@consumerfocus.org.uk.

Yours sincerely

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