



Department of Energy & Climate Change

Energy Act: Consumer Redress

Issue:

The introduction of a new enforcement power for Ofgem to require energy companies which breach licence conditions or other relevant regulatory requirements to provide redress to consumers who suffer detriment as a result of the breach.

Policy commitment:

On 20 September 2011 Chris Huhne announced the Government would consider giving Ofgem new powers to require energy companies to provide consumer redress when consumers have lost out as a result of a company breaching a licence condition. This would be in addition to Ofgem's current powers to fine companies up to 10% of their annual turnover.

A consultation was launched on 10 April 2012. Edward Davey made a high level announcement at the Liberal Democrat party conference that the Government would provide Ofgem with these new powers.

Legislative proposal:

The Energy Act contains a power enabling Ofgem to require energy companies which breach licence conditions or other relevant regulatory requirements to provide redress to consumers who suffer detriment as a result of the breach. The combined cap for both redress and penalty for an individual regulatory breach is set at 10% of an energy company's annual turnover.

Relationship to other legislative proposals:

Legislation relating to tariffs and also the implementation of Ofgem's Retail Market Reform proposals will introduce additional conditions that will be subject to this new approach to redress.

Q & A

Why are you introducing this power?

Ofgem is under a duty to protect the interests of consumers. Whilst it is able to set and enforce licence conditions covering issues such as mis-selling and overcharging, and it can fine energy companies up to 10% of annual turnover for breaches of licence conditions or other regulatory requirements, fines are paid into the Government's consolidated fund and so do not directly benefit consumers who may have suffered a loss as a result of the breach. When it takes enforcement action, Ofgem will often negotiate with energy companies to obtain redress for consumers and will take any compensation into account when it sets the amount of the fine. However, it has no powers to compel energy companies which breach regulatory requirements to compensate consumers, so it cannot compel redress when businesses refuse to negotiate. This power will allow Ofgem to obtain fairer outcomes for consumers.