

Press releases 2011 -

Off-grid energy suppliers need consumer law enforcement not regulation - OFT



112/11 18 October 2011

The OFT today published the findings of its off-grid market study. It showed that on the whole competition works well, with consumers offered a good choice of suppliers, and that the off-grid sector does not need price regulation.

However the OFT does have concerns that some heating oil and possibly some other off-grid fuel suppliers may not be treating their customers fairly and is currently examining practices further.

Four million households rely on off-grid energy such as heating oil, liquid petroleum gas (LPG) and, more recently, microgeneration which encompasses renewable energy sources like solar panels.

When looking at heating oil, the OFT found the primary driver of price increases to be the crude oil price, which accounts for over 90 per cent of the variation in the retail price of heating oil.

The OFT also specifically looked at why some heating oil customers experienced high prices during last winter. It found that a sudden increase in demand (up 40 per cent on the previous year), at the same time as deliveries were hampered by the severe weather, led to a short lived 'price spike'. However, with 97 per cent of off-grid households living in an area served by at least four suppliers, the OFT found that competition has constrained prices over the year as a whole and that profit margins have not been excessive.

The specific OFT concerns about consumer protection in the off-grid energy sector include:

- The OFT received complaints that some suppliers were charging a different price on delivery from that quoted when the order was taken. The OFT is currently examining this and related practices.
- During the study it received complaints that people may be locked into expensive LPG contracts following an initial introductory rate, and it is working with the industry to resolve this matter.
- There were also some concerns surrounding the potential for mis-selling of solar panels. The OFT will work with the industry code operator to monitor complaints and ensure they are properly handled, and when necessary will take steps to address unfair commercial practices.

During the market study, the OFT took action against certain heating oil companies and price comparison websites to improve website transparency and prevent consumers being misled when searching online for heating oil supplies. Following this action, transparency has improved further for households buying heating oil, as some traders have also changed their practices so that people are better informed about which company owns heating oil brands.

Clive Maxwell, OFT Executive Director, said: 'We looked at both competition and consumer issues as part of this comprehensive study, and whilst there seems to be a good choice of suppliers across most of the country, we have real concerns about whether consumer protection law is being complied with in all cases.'

'It is important that the off-grid energy sector works well and that people who rely on it are protected, which is why we have already taken action to increase transparency on websites and are currently undertaking a wider examination of pricing practices.'

NOTES

1. A full copy of the final report can be found on the Off-grid energy market study page.
2. OFT market studies are carried out under section 5 of the Enterprise Act 2002 (EA02) which allows the OFT to obtain information and conduct research. Effectively, they allow a market-wide consideration of both competition and consumer issues. They take an overview of regulatory and other economic drivers in the market and consumer and business behaviour. Possible outcomes of market studies include: enforcement action by the OFT, a market investigation reference to the Competition Commission (CC), recommendations for changes in laws and regulations, recommendations to regulators, self-regulatory bodies and others to consider changes to their rules, campaigns to promote consumer education and awareness, or a clean bill of health.
3. The OFT has provisionally concluded that it is not appropriate to make a market investigation reference on heating oil to the Competition Commission at this time, and invites views on the proposed decision. Interested parties are invited to submit responses to this consultation by 5pm on Friday 18 November 2011 to offgrid@oft.gsi.gov.uk or in writing to the Off-Grid Energy Market Study Team, Services and Infrastructure Group, Office of Fair Trading, London, EC4Y 8JX.
4. On 9 September 2011, the OFT announced that it secured undertakings under the Consumer Protection from Unfair Trading Regulations (CPRs) from WCF Fuels Limited and Boiler Juice Limited which prevent them from engaging in business practices that could be misleading. View the press release, 'The OFT takes action against heating oil companies and price comparison websites'.
5. The OFT welcomes the information and advice provided by ACRE, Citizens' Advice, Consumer Focus and the industry as part of the 'Buy Fuel Early' campaign to support people using off-grid fuels.
6. The OFT is unable to provide advice or resolve individual complaints for consumers. Consumers can seek advice from Consumer Direct on 08454 04 05 06 or at www.direct.gov.uk/consumer

Off-grid energy study

Start date: 15 March 2011 (following a consultation on scope on 25 January 2011)

Next milestone: The consultation period on our provisional decision to not make a market investigation reference to the CC closes at 5pm on Friday 18 November

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Purpose of the study

The aim of this study is to examine whether the market for the supply of energy to the 4 million households who are not connected to the mains gas grid is working well for these consumers. See [full details of the scope of the market study](#) (pdf 273kb).

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Final report

The OFT published its final report on Off-grid Energy on 18 October 2011.

- Final Report: Off-grid Energy, an OFT market study (pdf 2.04Mb)
- Annexes: Off-grid Energy, an OFT Market Study - Annexes (pdf 1.65Mb)
- Press Release Off-grid energy suppliers need consumer law enforcement not regulation - OFT (18 October 2011)

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Next steps

The OFT is consulting on its provisional decision to not make a market investigation reference to the Competition Commission. The consultation period ends at 5pm on 18 November. Details of the provisional decision are set out in Chapter 7 of the report.

The study can be contacted by email at offgrid@oft.gsi.gov.uk or by writing to us at:

Off-Grid Energy Market Study
Office of Fair Trading (2nd Floor)
Fleetbank House
2 - 6 Salisbury Square
London EC4Y 8JX

The OFT is unable to provide advice or resolve individual complaints for consumers. Consumers can seek advice from Consumer Direct (tel: 08454 04 05 06, www.consumerdirect.gov.uk).

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Related documents

- Press release: OFT takes action against heating oil companies and price comparison websites (9 September 2011)
- Heating oil investigation case summary page
- Press release OFT launches off-grid energy study (15 March 2011)
- Final statement of scope (pdf 273kb)
- Press release OFT to examine energy supply to off-grid customers (25 January 2011)
- Proposed statement of scope (pdf 259kb)

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Contacts

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Media enquiries: any media enquiries should be directed to a member of our [Press Office](#).

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Confidentiality/Data use statement

Please note that we may choose to refer to comments received in any submission in our published findings. In deciding whether to do so, we will have regard to (among other considerations) the need for excluding from publication, so far as that is practicable, any information relating to the private affairs of an individual or any commercial information relating to a business which, if published, might, in our opinion, significantly harm the individual's interests or, as the case may be, the legitimate business interests of that business ('confidential information').

If you consider that your submission contains such information, that information should be marked 'confidential information' and an explanation given as to why you consider individual items or categories of information to be confidential. Blanket requests for confidentiality or those that are not supported by reasons will not be accepted.

The OFT reserves the right to disclose any information provided by you (including confidential information) for the purposes set out in sections 170 (note 1 below) and 240 to 243 (note 2 below) of the Enterprise Act 2002. Prior to any such disclosure, the OFT would have regard to (among other considerations) the need for excluding, so far as that is practicable, any confidential information.

The OFT is also subject to information disclosure duties under the Freedom of Information Act 2000 (the 'FoIA'). Where a person makes a request in accordance with the FoIA, the OFT may have to disclose whether it holds the information requested as well as the information itself (including confidential information). The FoIA contains exemptions (including one which may exempt confidential information) from the requirement to make disclosure. If you consider that any information you provide may be exempt from such disclosure (for example, you consider it is confidential information) you should say so and explain why.

Finally, to the extent that information you provide constitutes personal data under the Data Protection Act 1998, the OFT will process such data in accordance with that Act.

Further background information on the disclosure of information obtained during a market study is provided in the OFT's published guidance, ['Market studies' OFT 519](#) (pdf 586kb), June 2010, in particular at paragraphs 4.23 to 4.24.

NOTES

1. Section 170 of the Enterprise Act 2002 sets out general information duties on the OFT to provide information to the Competition Commission, the Secretary of State, or the appropriate Minister in relation to the Market Investigations provisions of Part 4 of that Act.
2. Sections 240 to 243 of the Enterprise Act 2002 set out a number of permitted gateways for disclosure, including, for example, disclosure for the purpose of facilitating the exercise of a statutory function. Section 239 provides that disclosure is permitted where the requisite consent is obtained as set out in that section.