

Domestic Retail Market Report - September 2005

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Overview:

The Domestic Retail Market Report (DRMR) updates key indicators that Ofgem has used to assess the state of competition in the supply of energy to households in Great Britain. This report provides information on the level of these indicators up to the end of September 2005.

In general, the indicators in this report show that there is continued evidence of effective competition between domestic energy suppliers. This is consistent with the conclusions set out in the June 2005 DRMR, which has been published alongside this report. Ofgem believes that a competitive retail energy market has brought and continues to bring benefits to domestic consumers.

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Target Audience: All parties interested in the state of competition in the supply of energy to households in Great Britain.

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Context

Ofgem's principal objective is to protect the interests of consumers present and future, wherever appropriate by promoting effective competition. We also have a number of secondary duties, including a requirement to have regard to the principles of best regulatory practice such as proportionality and transparency.

Ofgem has moved away from regularly producing broad and detailed reviews of competition in domestic energy supply. However, we continue to develop our analytical framework for assessing the impact of competition on domestic consumers.

As part of this work, Ofgem has decided to publish information on indicators of the state of domestic competition (as of end of September 2005). Ofgem will publish future reports when we believe that this would help us to meet our statutory objectives. In doing this, we will also take account of our other priorities and commitments.

The information contained in this report is generally not appropriate for use by consumers in making a decision about whether or not to switch to a particular energy supplier. Information on how to change your energy supplier is available from the energywatch website at the following address:

http://www.energywatch.org.uk/help_and_advice/how_to_change_supplier/index.asp

Associated Documents

- Domestic Retail Market Report - June 2005 (Report and Appendices), February 2006
- Domestic Competitive Market Review, April 2004 (Ref. No. 78/04)
<http://www.ofgem.gov.uk/ofgem/work/index.jsp?section=/areasofwork/retailcompetition>
- Ofgem's response to the super-complaint on billing processes made by the Gas and Electricity Consumer Council (energywatch), July 2005 (Ref. No 163/05)
http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/11828_16305.pdf?wtfrom=/ofgem/work/index.jsp§ion=/areasofwork/retailcompetition
- Energy Billing. Super Complaint referral by the Gas and Electricity Consumer Council to the Gas and Electricity Markets Authority pursuant to section 11 of the Enterprise Act 2002
http://www.energywatch.org.uk/uploads/billing_super_complaint.pdf

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Summary

This Domestic Retail Market Report (DRMR) updates some of the indicators of competition that were included in the June 2005 DRMR, which has been published alongside this report. It also provides information on customer experience, social issues and changes in industry costs.

In general, these indicators show continued evidence of effective competition between domestic energy suppliers. This is consistent with the conclusions of Ofgem's July 2005 response to energywatch's supercomplaint on supplier billing practices. As a result of its review of the supercomplaint, Ofgem concluded that for the vast majority of customers, the competitive energy market was working well. However, Ofgem also called on domestic energy suppliers to address the problems faced by the relatively small number of customers who did not appear to be well served by the market.

Below is a summary of the trends of the key quantitative indicators included in this report.

Prices

- a number of suppliers have implemented price rises since June 2005
- consequently, average incumbent bills have increased during Q3 2005, and
- for customers on standard tariffs and still with their incumbent supplier, these price rises have resulted in a significant increase in the savings available if they switched to the cheapest offer (as of 30 September 2005).

Customer experience and behaviour

- after falling slightly in July 2005, monthly switching rates recovered to around 300,000 in gas and 350,000 in electricity.

Market shares of domestic energy suppliers

- the market share of incumbent suppliers continues to generally fall, and
- there are now three regions in which the market share of the electricity incumbent has fallen below 50%.

1. Market overview

→ As a complement to subsequent chapters that focus on specific quantitative indicators of competition, this chapter provides information on a number of broader indicators. It also highlights recent developments of interest in the energy sector, particularly those directly related to domestic energy supply in Great Britain.

Customer experience

Billing supercomplaint

1.1. On 6 April 2005, Ofgem received a supercomplaint from energywatch. This stated that the billing processes of gas and electricity suppliers were significantly harming the interests of consumers.

1.2. An electronic copy of a non-confidential version of energywatch's supercomplaint can be found at:

http://www.energywatch.org.uk/uploads/billing_super_complaint.pdf

1.3. Following analysis of the evidence provided by energywatch, energy suppliers and other interested parties, Ofgem published a response (5 July 2005) to the supercomplaint within the 90 day period allowed under the Enterprise Act 2002. Our analysis did not identify significant and widespread consumer detriment associated with billing processes. Furthermore, for the vast majority of customers, the competitive energy market was working well. However, for the relatively few customers who have reason to complain, Ofgem found that there was evidence that the market does not always serve them well. Complaints are not always resolved quickly, while customers sometimes suffer great inconvenience and are not always adequately compensated.

1.4. In response to the supercomplaint, Ofgem called on domestic energy suppliers to deliver in the following three key areas:

- energy suppliers should establish and finance, by July 2006, an independent dispute resolution body
- energy suppliers should, by July 2006, stop seeking payment from customers for any energy supplied where the supplier is at fault for not billing the customer for two years (one year from July 2007), and
- energy suppliers should, by July 2006, review the terms and conditions in their supply contracts and change them where necessary.

1.5. Ofgem's response to this supercomplaint can be found at:

http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/11828_16305.pdf?wtfrom=/ofgem/work/index.jsp§ion=/areasofwork/retailcompetition

energywatch complaints data

1.6. energywatch publish information on the number of complaints they receive from customers about domestic energy suppliers. These complaints are divided into three categories - account and billing, transfer, and direct selling.

1.7. Information on complaints received up to September 2005 is available at the following address:

http://www.energywatch.org.uk/help_and_advice/complaints_received/index.asp

Social issues

Social Action Strategy

1.8. Each quarter, Ofgem publishes an update on various indicators that are used to monitor the progress of its Social Action Strategy. These updates include information on payment methods, debt, disconnection, priority services and prepayment meters.

1.9. The Q3 2005 update is available from the Ofgem website at the following address:

http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/12960_q32005.pdf?wtfrom=/ofgem/work/index.jsp§ion=/areasofwork/socialactionplan

Industry costs

Wholesale costs

1.10. Wholesale costs are the largest component of the final bill for both gas and electricity. They typically represent approximately around half of the final bill for household customers. Forward wholesale prices continued to rise in Q3 2005. Forward annual wholesale gas and electricity prices in Q3 2005 were just under a fifth higher than those reported in the previous quarter. Compared to the wholesale price levels seen a year earlier, the Q3 2005 figures represent an increase of about two-thirds for gas and for electricity.

Other data sources

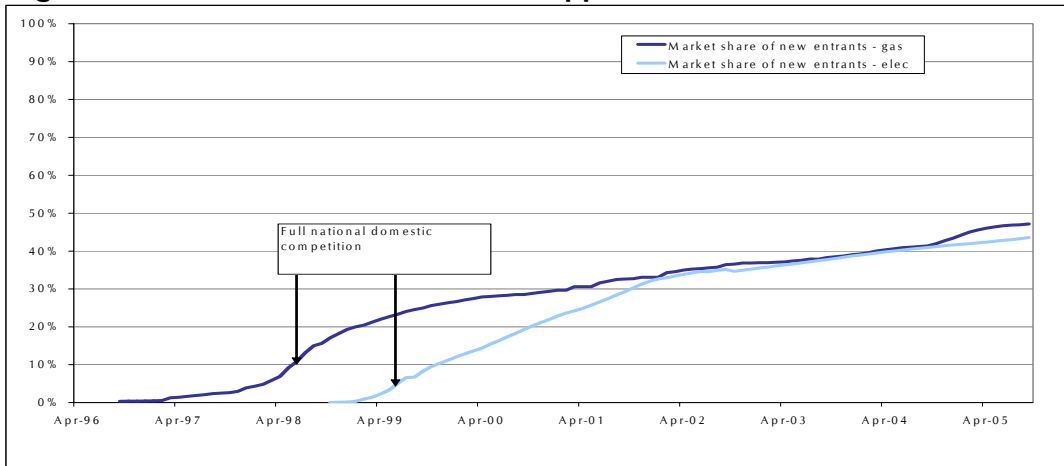
Department of Trade and Industry (DTI)

1.11. In addition to its annual publication of the Digest of United Kingdom Energy Statistics, the DTI provides updates of various energy sector statistics at the following address: <http://www.dti.gov.uk/energy/inform/index.shtml>

2. Market shares

Figure 2.1 illustrates the extent of net switching in the household energy market. It shows the proportion of gas and electricity customers no longer with the incumbent suppliers (up to 30 September 2005)

Figure 2.1: Market share of entrant suppliers

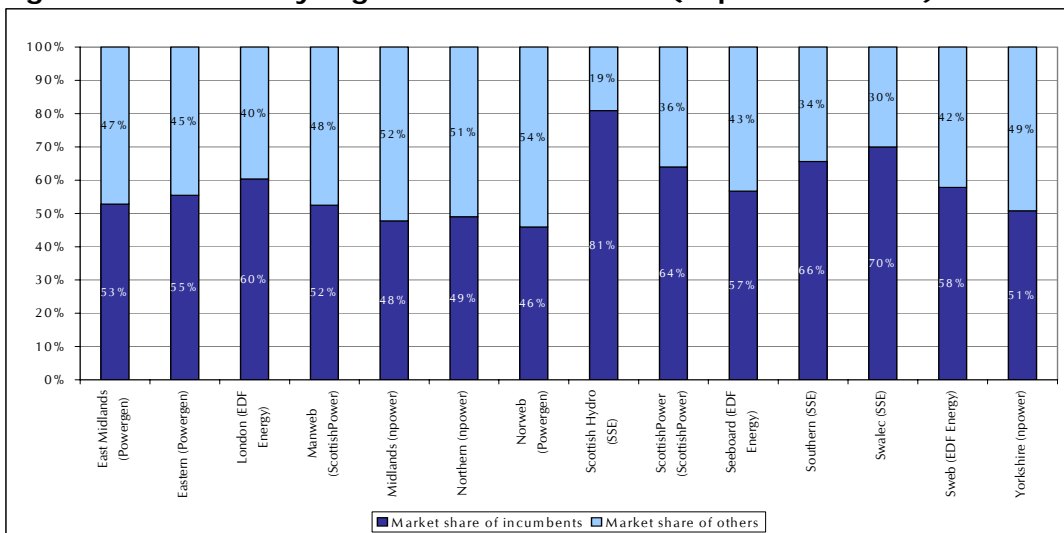


Source: Domestic gas suppliers and electricity distribution companies

Figure 2.2 shows the electricity market share of the incumbent supply group in each region (as of 30 September 2005). The incumbent supply group is identified in brackets alongside the name of the region.

There are now three regions in which the incumbent market share is below 50%.

Figure 2.2: Electricity regional market shares (September 2005)



Source: Electricity distribution companies

Tables 2.1 and 2.2 show the national market shares of the six biggest domestic energy supply groups (up to 30 September 2005). These market shares represent the proportion of total customers (as proxied by the number of meter points) within a market that are registered to a particular supply group.

Table 2.1: National market shares in gas

Group	Dec-02	Jun-03	Dec-03	Jun-04	Dec-04	Jun-05	Sep-05
BGT	63%	62%	61%	59%	57%	53%	53%
Powergen	12%	12%	12%	12%	13%	14%	14%
SSE	6%	6%	7%	8%	8%	9%	10%
npower	9%	9%	9%	9%	9%	9%	9%
ScottishPower	5%	5%	6%	7%	8%	9%	9%
EDF Energy	5%	5%	5%	5%	5%	5%	5%
Others	0%	0%	1%	0%	0%	0%	0%

Source: Domestic gas suppliers

Table 2.2: National market shares in electricity

Group	Dec-02	Jun-03	Dec-03	Jun-04	Dec-04	Jun-05	Sep-05
BGT	22%	23%	24%	24%	23%	22%	22%
Powergen	22%	22%	21%	21%	21%	21%	20%
SSE	13%	14%	14%	15%	15%	16%	16%
npower	16%	16%	15%	15%	15%	15%	15%
EDF Energy	15%	15%	14%	14%	13%	13%	13%
ScottishPower	10%	10%	11%	12%	13%	13%	13%
Others	0%	1%	1%	0%	0%	1%	1%

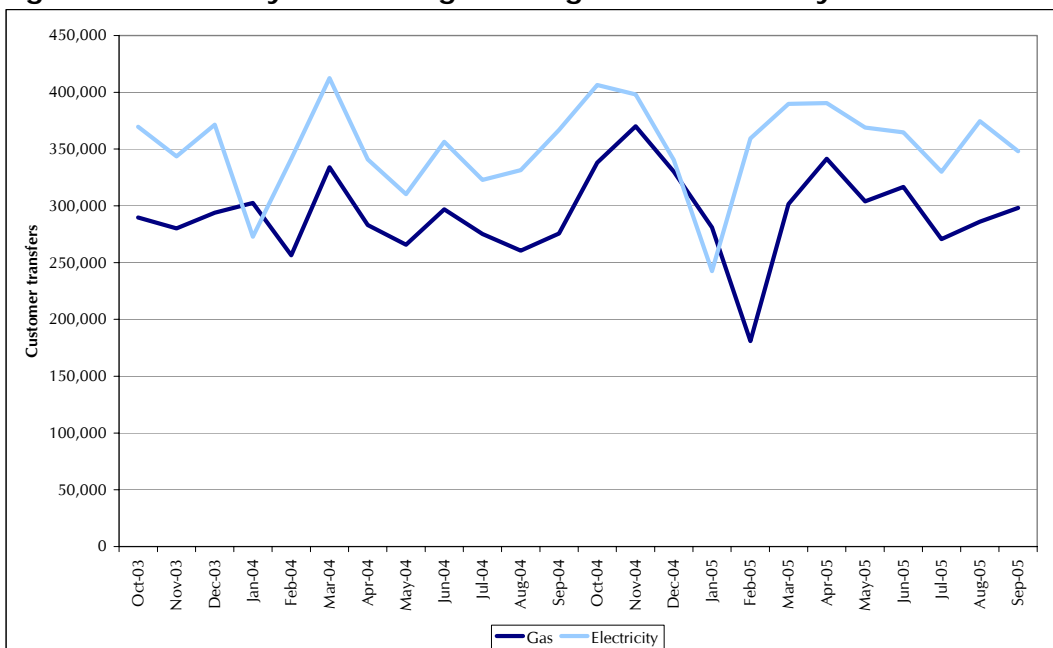
Source: Electricity distribution companies

3. Switching

Figure 3.1 shows the total number of domestic customers who successfully transferred supplier each month in gas and electricity (up to September 2005).

The number of switches completed each month in Q3 2005 remained at around 350,000 for electricity and 300,000 for gas. These figures are broadly in line with the number of monthly transfers typically recorded over the last 2 years.

Figure 3.1: Monthly transfer figures in gas and electricity



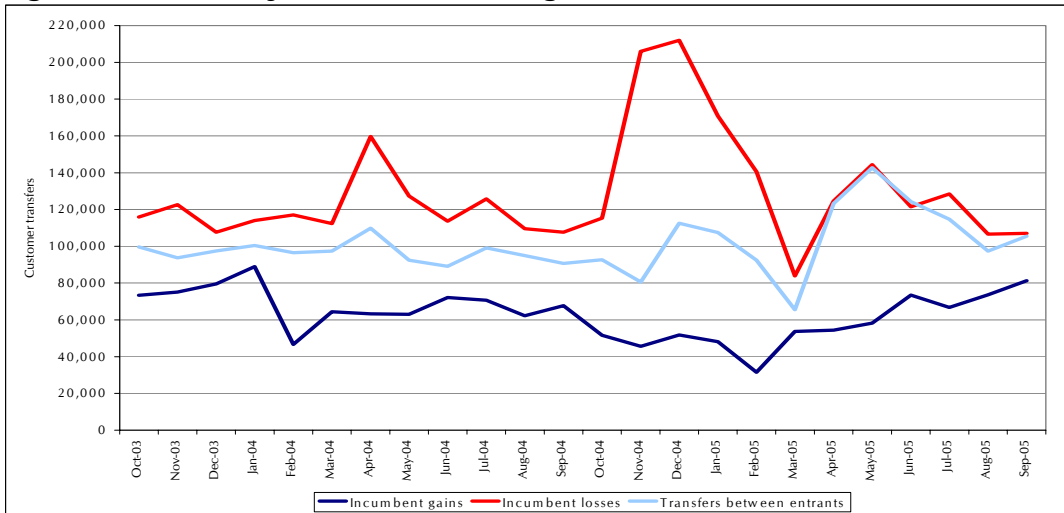
Source: Domestic gas suppliers and electricity distribution companies

Figures 3.2 and 3.3 show the number of transfers completed each month to ("incumbent gains") and from ("incumbent losses") the incumbent supply group. The charts also show the number of transfers completed each month between entrants.

Both Figures 3.2 and 3.3 demonstrate the dynamic nature of the retail energy market. They highlight the activity that is taking place behind the relatively more slow moving movements in market shares (which reflect net changes).

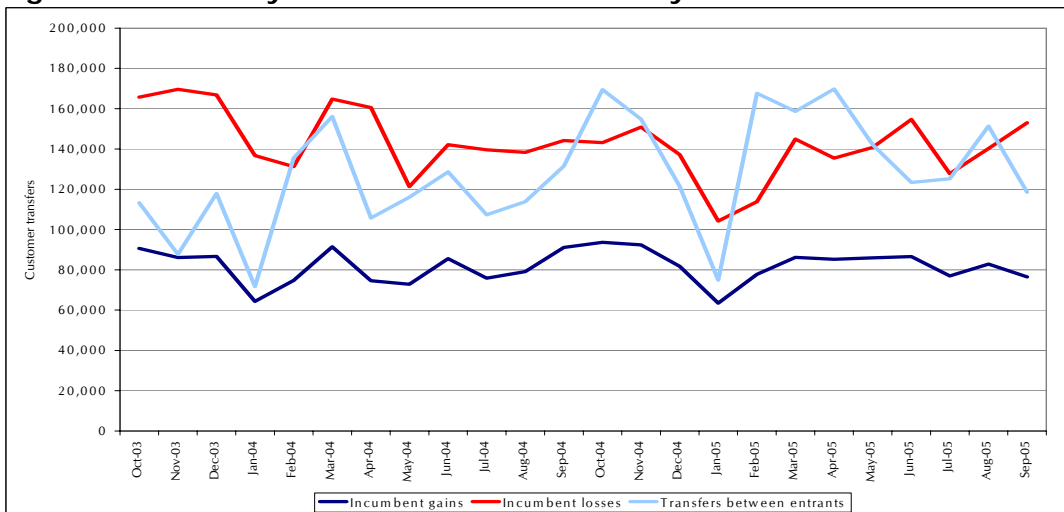
The charts show that the gas and electricity incumbents record a net customer loss each month. Furthermore, a significant number of customers transfer between entrants each month.

Figure 3.2: Monthly transfer flows in gas



Source: Domestic gas suppliers

Figure 3.3: Monthly transfer flows in electricity

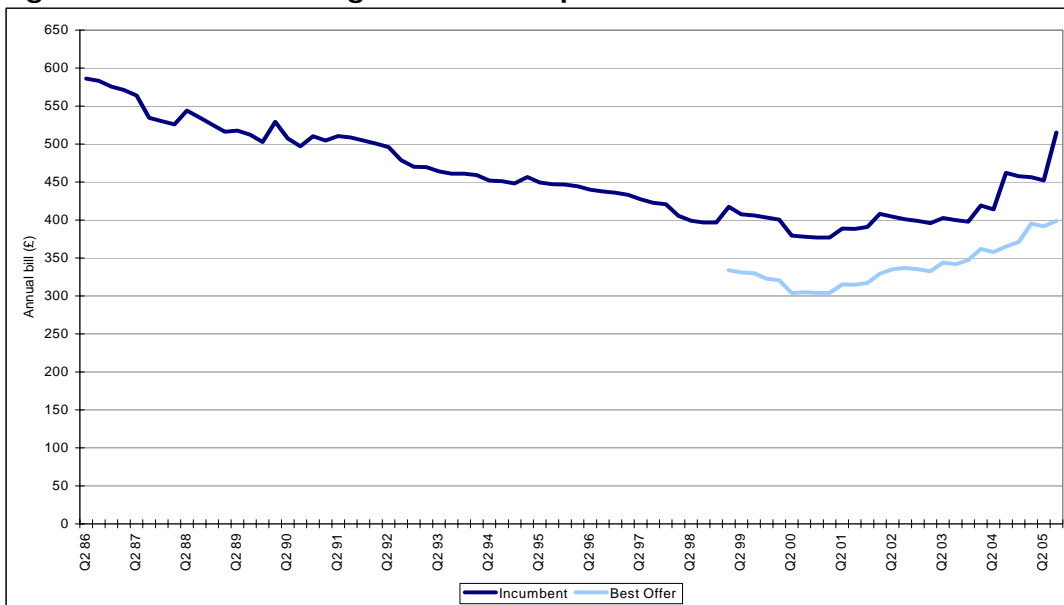


Source: Electricity distribution companies

4. Prices

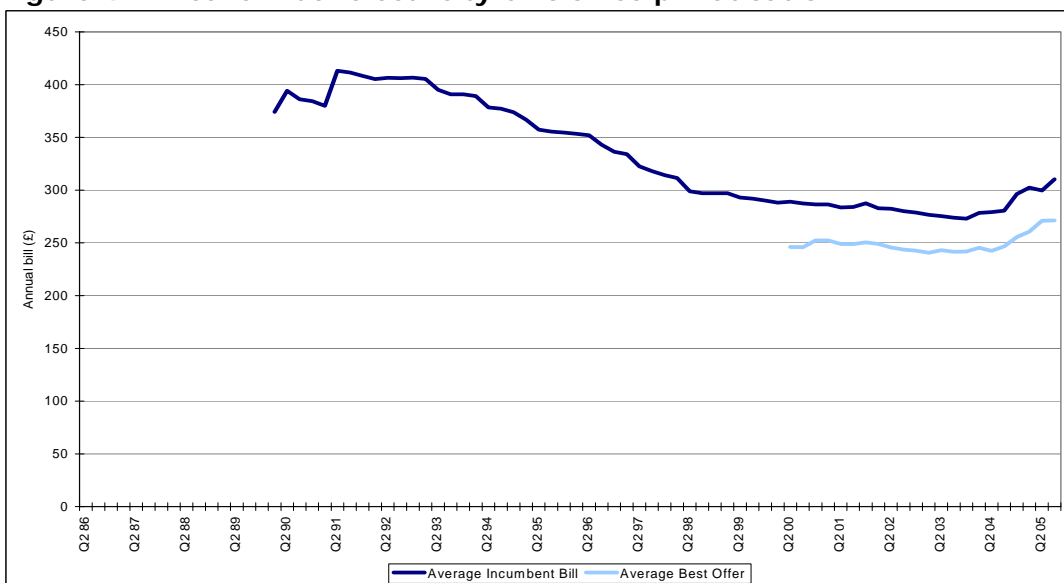
Figures 4.1 and 4.2 show the incumbent standard offer and the cheapest standard offer available in the market. These annual bills are based on medium consumption (3300kWh/a for electricity and 20500kWh/a for gas) are calculated from standard credit tariffs open to new customers at the end of each quarter. The electricity figures are the mean values of the relevant regional bills.

Figure 4.1: Real annual gas bills since privatisation



Source: Ofgem

Figure 4.2: Real annual electricity bills since privatisation



Source: Ofgem

Table 4.1 illustrates the annual difference between the incumbent's standard tariff and the cheapest standard tariff open to new customers (as of 30 September 2005). The annual difference is calculated for bills for customers with medium consumption. Non-standard tariffs include internet tariffs, fixed-price, capped-price or tracker deals, and tariffs requiring payment of a membership fee. National figures are calculated by taking the mean values of the relevant regional figures.

The gas incumbent (BGT) and some of the electricity incumbents (EDF Energy, Powergen, SSE for prepayment only) implemented price rises in Q3 2005. Consequently, at the end of September 2005, customers still on the standard tariff with both gas and electricity incumbents were paying at least £130 a year more than customers on the cheapest available standard tariffs.

Table 4.1: Potential savings compared to incumbents (September 2005)

Fuel type	Monthly Direct Debit (MDD)		Standard Credit (SC)		Prepayment (PPM)	
	Incumbent Bill (£)	Potential Saving (£)	Incumbent Bill (£)	Potential Saving (£)	Incumbent Bill (£)	Potential Saving (£)
Electricity	299	44	310	37	320	40
Gas	462	86	515	117	515	110
Electricity and gas	761	130	826	155	835	151
Dual fuel	n/a	135	n/a	153	n/a	132

Source: Ofgem
Tariff data source: TheEnergyShop.com

Table 4.2 shows the difference in bills paid by customers who are with the same supplier but use different payment methods. The difference is calculated between annual bills based on offers available to new customers (as of 30 September 2005) with medium consumption on standard tariffs. National figures are calculated by taking the mean values of the relevant regional figures. The average entrant figure is the median figure for non-incumbent suppliers (based on their average national bills).

Following the price rises implemented in Q3 2005 by a number of incumbents, the average savings available for switching between different payment methods have increased for incumbent suppliers. The pattern of average savings is more mixed for non-incumbent suppliers - some figures have increased but others have fallen.

Table 4.2: Potential savings available for switching between different payment methods (September 2005)

Fuel type	Saving made by switching from SC to MDD		Saving made by switching from PPM to SC		Saving made by switching from PPM to MDD	
	Incumbent (£)	Average Entrant (£)	Incumbent (£)	Average Entrant (£)	Incumbent (£)	Average Entrant (£)
Electricity	11	10	9	13	21	28
Gas	53	19	0	20	53	40
Electricity and gas	65	29	9	33	74	68
Dual fuel	n/a	43	n/a	40	n/a	92

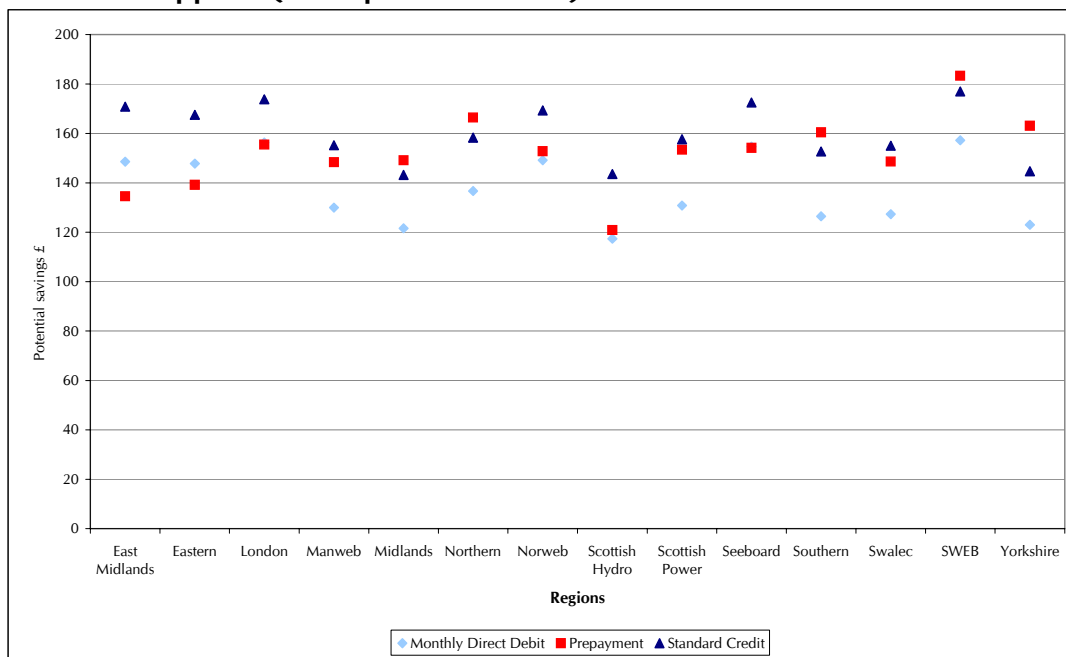
Source: Ofgem
Tariff data source: TheEnergyShop.com

Figure 4.3 provides a snapshot of the difference between the gas and electricity incumbents' tariffs and the cheapest gas and electricity tariffs (as of 30 September 2005).

These differences are calculated by comparing the sum of annual incumbent bills for gas and electricity with the cheapest combined annual bill for gas and electricity. This is defined as the minimum of the best dual fuel offer and the sum of the best individual offers for gas and electricity. These bills are calculated for customers with medium consumption and are based on standard tariffs available to new customers. Non-standard tariffs include internet tariffs, fixed-price, capped-price or tracker deals, and tariffs requiring payment of a membership fee.

In all 14 regions and for all three payment methods, annual savings of over £110 were available at the end of September 2005 to customers still on standard tariffs with both incumbent suppliers. In general, the greatest savings are available to customers on standard credit or prepayment rather than direct debit. The level of savings available has increased since June 2005 owing to the implementation of a number of price rises by incumbent suppliers across gas and electricity.

Figure 4.3: Potential savings for energy customers who have never switched supplier (30 September 2005)



Source: Ofgem
 Tariff data source: TheEnergyShop.com

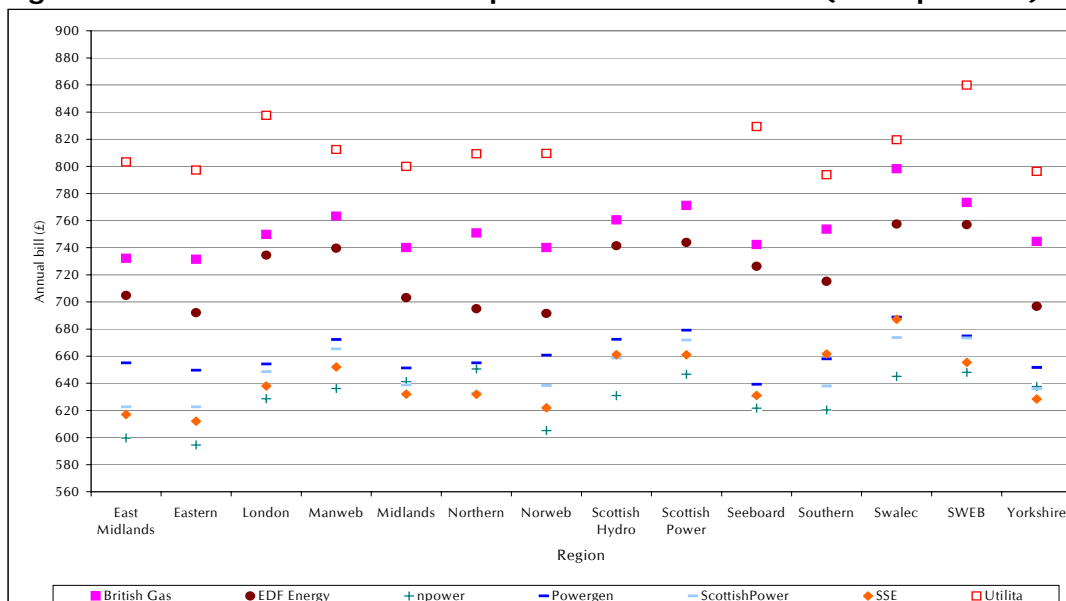
Figures 4.4 to 4.12 provide information on standard price offers available to new customers on 30 September 2005. The nine charts show the offers available for each payment method for gas, for electricity and for dual fuel. These charts provide information on indicators of interest, such as the range and distribution of annual bills. In addition, they illustrate the extent to which suppliers differentiate their pricing strategy between their incumbent and non-incumbent sectors.

Each chart is only a snapshot which captures suppliers' prices on a given date. Therefore, the timing of a supplier's pricing changes may affect its relative position in the chart. However, the June 2005 report includes similar charts showing offers available on 30 June 2004, 31 December 2004 and 30 June 2005. Therefore, the charts in that report can be combined with figures 4.4 to 4.12 to build a fuller picture of pricing patterns in the domestic energy supply market. Comparing charts produced for different dates will highlight the impact of price changes on pricing patterns in the market, as well as illustrating the potential implications of entry and exit by different suppliers.

Figures 4.4 to 4.12 show that for all payment methods and fuel types, there remains a range of offers available in all regions. For each payment method, suppliers generally continue to set different electricity prices in each region but offer the same gas tariff across all regions.

The figure below should not be used to compare prices of individual suppliers when making switching decisions as it only provides a snapshot of standard price offers available to new customers on 30 September 2005. The chart is only calculated for medium consumption and does not take account of preserved tariffs or non-standard offers, such as internet tariffs, fixed-price, capped-price or tracker deals, and tariffs requiring payment of a membership fee. Information making a more comprehensive and up-to-date price comparison is available from the energywatch website (www.energywatch.org.uk).

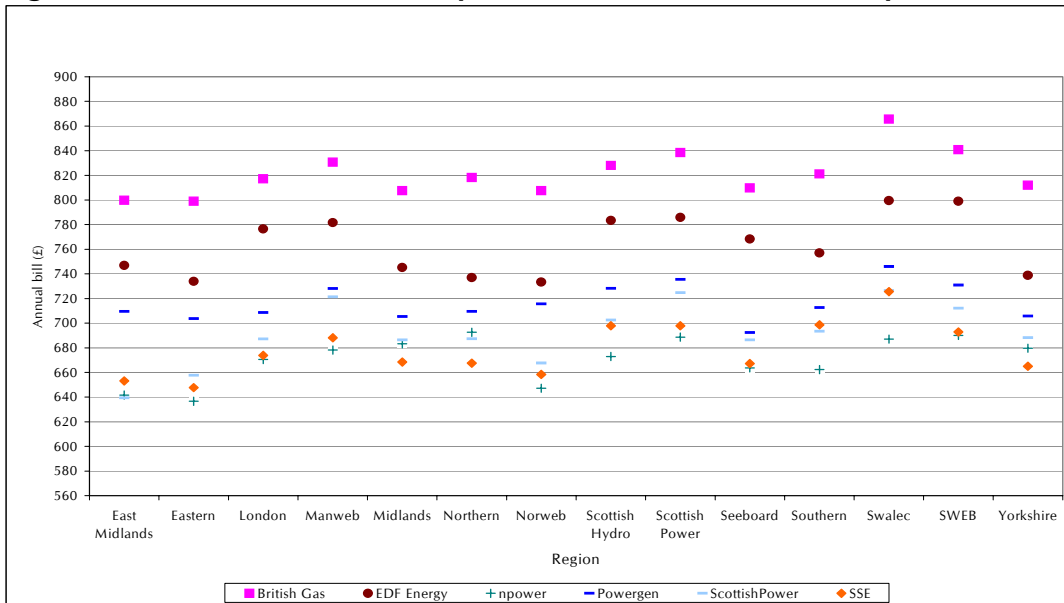
Figure 4.4: MDD dual fuel bills - open to new customers (30 Sept 2005)



Source: Ofgem

Tariff data source: TheEnergyShop.com

Figure 4.5: SC dual fuel bills - open to new customers (30 Sept 2005)

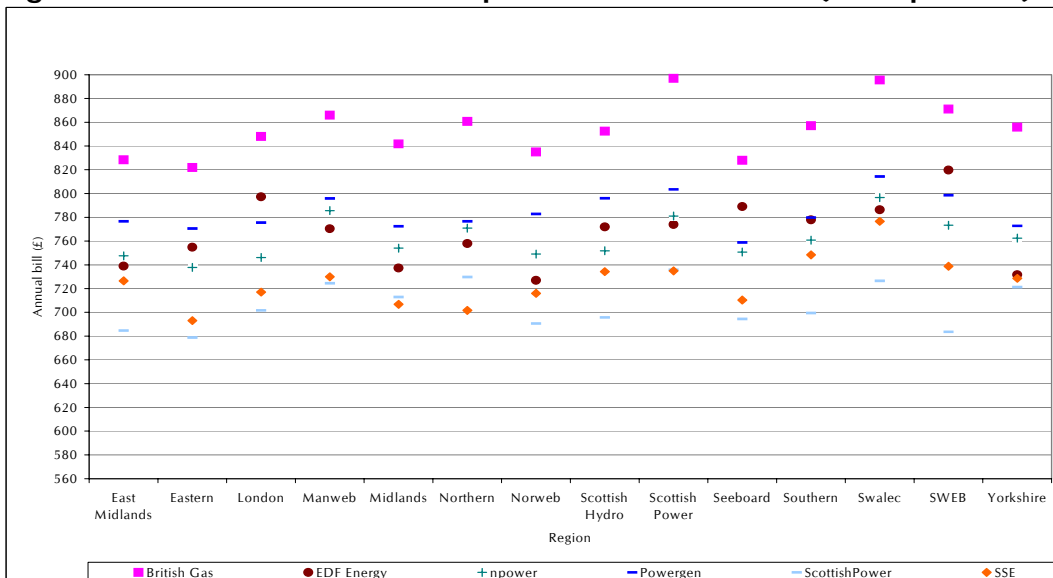


Source: Ofgem

Tariff data source: TheEnergyShop.com

These figures should not be used to compare prices of individual suppliers when making switching decisions as they only provide a snapshot of standard price offers available to new customers on 30 September 2005. The charts are only calculated for medium consumption and do not take account of preserved tariffs or non-standard offers, such as internet tariffs, fixed-price, capped-price or tracker deals, and tariffs requiring payment of a membership fee. Information making a more comprehensive and up-to-date price comparison is available from the energywatch website (www.energywatch.org.uk).

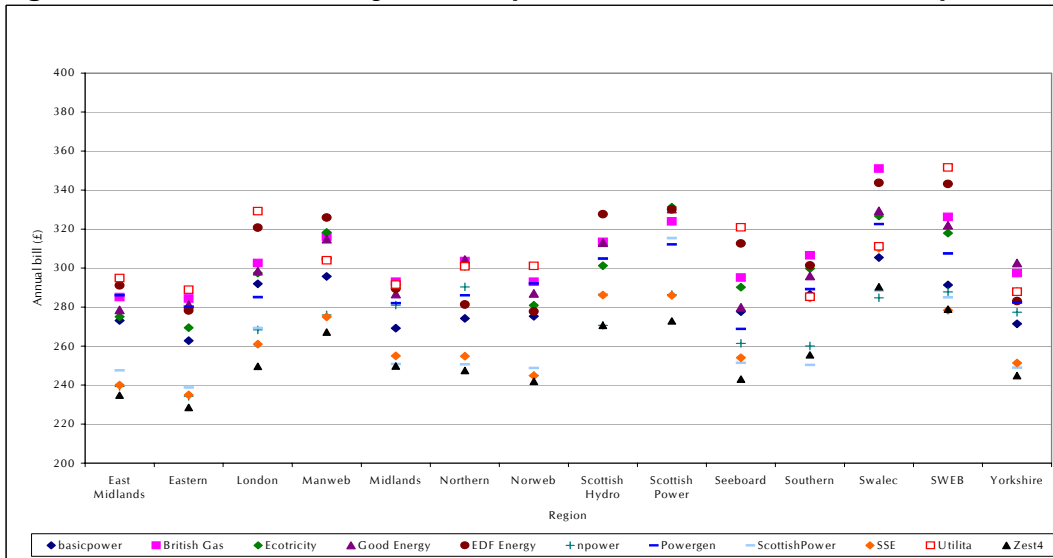
Figure 4.6: PPM dual fuel bills - open to new customers (30 Sept 2005)



Source: Ofgem

Tariff data source: TheEnergyShop.com

Figure 4.7: MDD electricity bills – open to new customers (30 Sept 2005)

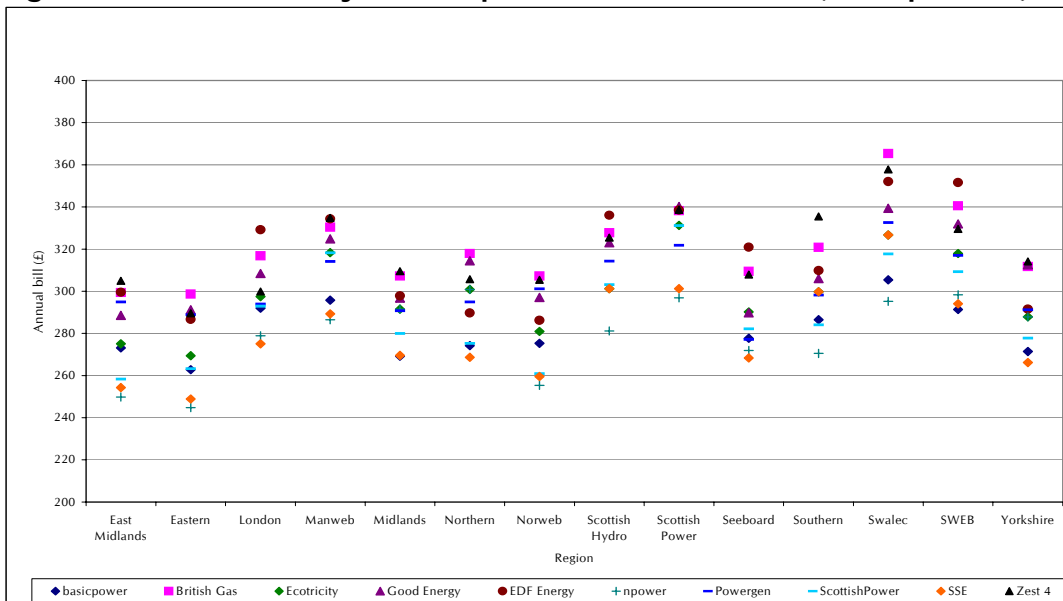


Source: Ofgem

Tariff data source: TheEnergyShop.com

These figures should not be used to compare prices of individual suppliers when making switching decisions as they only provide a snapshot of standard price offers available to new customers on 30 September 2005. The charts are only calculated for medium consumption and do not take account of preserved tariffs or non-standard offers, such as internet tariffs, fixed-price, capped-price or tracker deals, and tariffs requiring payment of a membership fee. Information making a more comprehensive and up-to-date price comparison is available from the energywatch website (www.energywatch.org.uk).

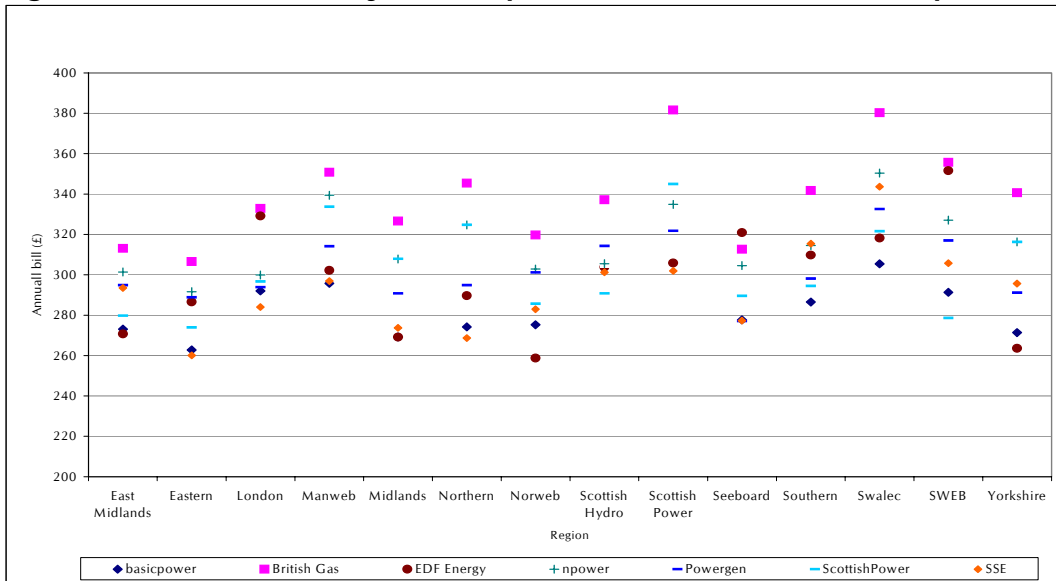
Figure 4.8: SC electricity bills – open to new customers (30 Sept 2005)



Source: Ofgem

Tariff data source: TheEnergyShop.com

Figure 4.9: PPM electricity bills – open to new customers (30 Sept 2005)

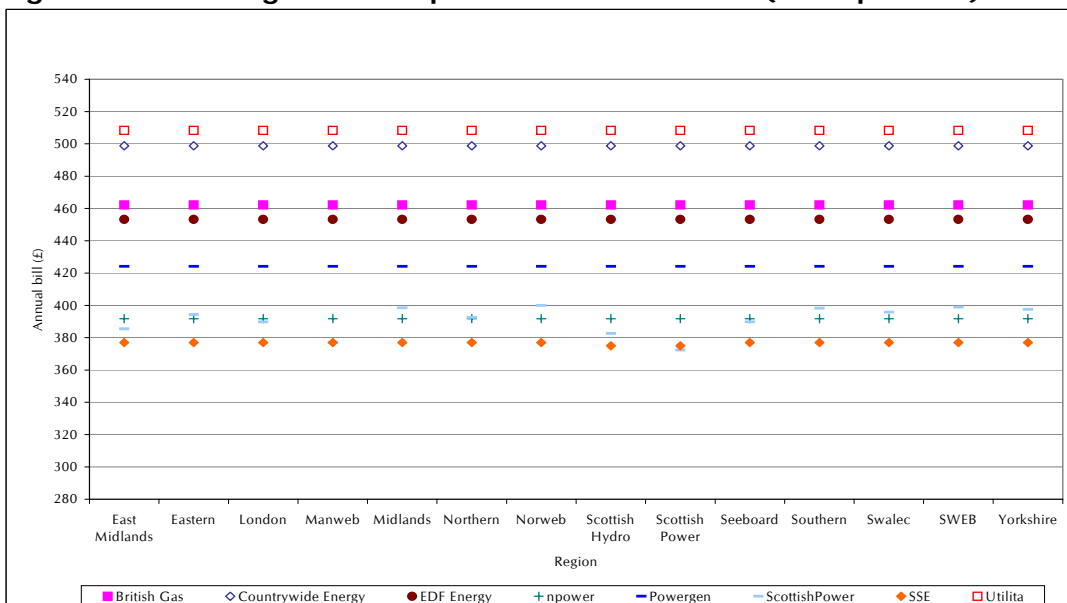


Source: Ofgem

Tariff data source: TheEnergyShop.com

These figures should not be used to compare prices of individual suppliers when making switching decisions as they only provide a snapshot of standard price offers available to new customers on 30 September 2005. The charts are only calculated for medium consumption and do not take account of preserved tariffs or non-standard offers, such as internet tariffs, fixed-price, capped-price or tracker deals, and tariffs requiring payment of a membership fee. Information making a more comprehensive and up-to-date price comparison is available from the energywatch website (www.energywatch.org.uk).

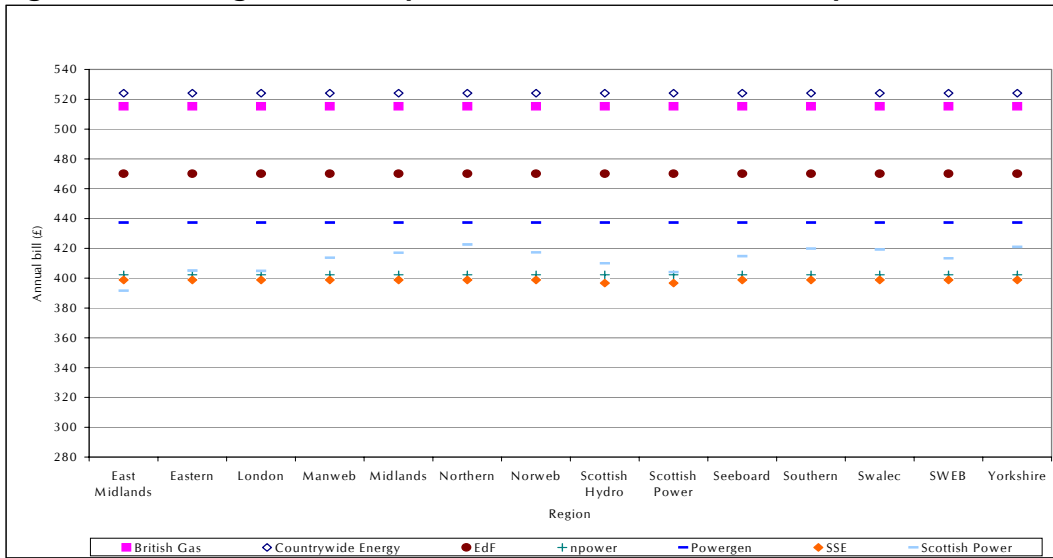
Figure 4.10: MDD gas bills - open to new customers (30 Sept 2005)



Source: Ofgem

Tariff data source: TheEnergyShop.com

Figure 4.11: SC gas bills – open to new customers (30 Sept 2005)

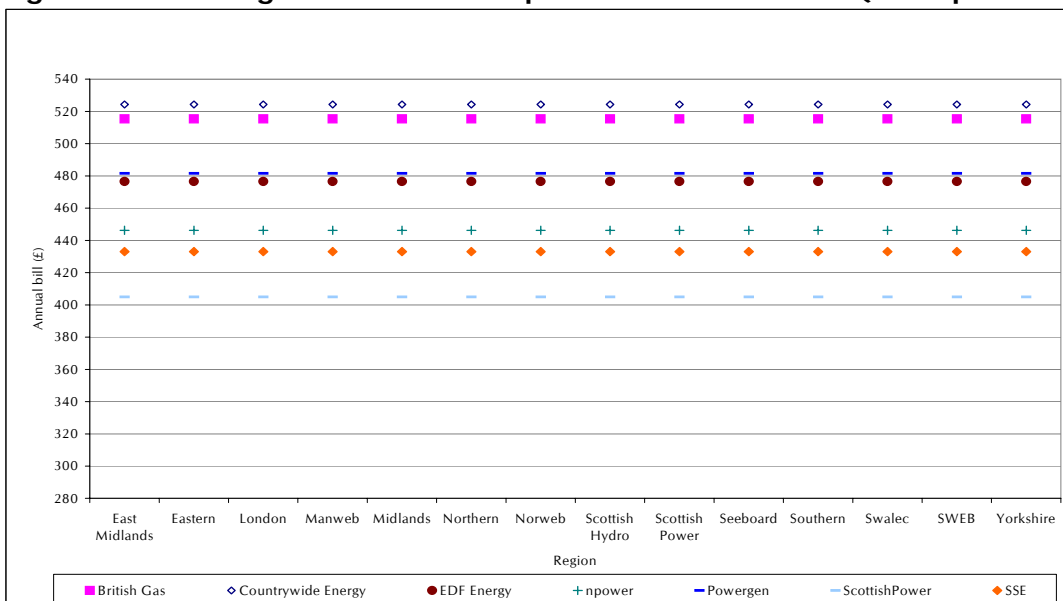


Source: Ofgem

Tariff data source: TheEnergyShop.com

These figures should not be used to compare prices of individual suppliers when making switching decisions as they only provide a snapshot of standard price offers available to new customers on 30 September 2005. The charts are only calculated for medium consumption and do not take account of preserved tariffs or non-standard offers, such as internet tariffs, fixed-price, capped-price or tracker deals, and tariffs requiring payment of a membership fee. Information making a more comprehensive and up-to-date price comparison is available from the energywatch website (www.energywatch.org.uk).

Figure 4.12: PPM gas bills – offers open to new customers (30 Sept 2005)



Source: Ofgem

Tariff data source: TheEnergyShop.com

Appendices

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Appendix 1 - Feedback

1.1. Ofgem would like to hear the views of interested parties in relation to the form, style and content of this report.

1.2. Comments should be sent to:

Gary Keane
Senior Manager, Retail Competition
Ofgem
9 Millbank
London
SW1P 3GE

Tel: 020 7901 7330

Email: gary.keane@ofgem.gov.uk

1.3. Unless marked confidential, responses may be published by placing them in Ofgem's library and on its website www.ofgem.gov.uk. Respondents may request that their response is kept confidential. Ofgem shall respect this request, subject to any obligations to disclose information, for example, under the Freedom of Information Act 2000 or the Environmental Information Regulations 2004.

1.4. Respondents who wish to have their responses remain confidential should clearly mark the document/s to that effect and include the reasons for confidentiality. It would be helpful if responses could be submitted both electronically and in writing. Respondents are asked to put any confidential material in the appendices to their responses.

1.5. Any questions on this document should, in the first instance, be directed to:

Gary Keane
Senior Manager, Retail Competition
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London
SW1P 3GE

Tel: 020 7901 7330

Email: gary.keane@ofgem.gov.uk

Appendix 2 - Ofgem's statutory responsibilities

2.1. Ofgem is the Office of Gas and Electricity Markets, regulating the gas and electricity industries in Great Britain. Ofgem operates under the direction and governance of the Gas and Electricity Markets Authority. The Gas and Electricity Markets Authority has the ultimate responsibility for all that Ofgem does. It determines strategy and decides on major policy issues.

2.2 Ofgem's powers and duties are provided for under the Gas Act 1986, the Electricity Act 1989, as amended principally by the Utilities Act 2000, Competition Act 1998, Enterprise Act 2002 and Energy Act 2004. Ofgem has concurrent powers with the Office of Fair Trading ("OFT") to apply the Competition Act 1998 to the gas and electricity sectors in Great Britain.

2.3. Ofgem's principal objective is to protect the interests of consumers present and future, wherever appropriate by promoting effective competition. We must also have regard to:

- the need to ensure that all reasonable demands for electricity and, so far as is economical, gas are met
- the need to secure that licence holders are able to finance their obligations, and
- the interests of those people who are disabled or chronically sick, of pensionable age, living on low incomes, or living in rural areas.

2.4. We are also required to carry out our functions in the manner, which we consider best calculated:

- to promote efficiency and economy including efficient use of energy
- to protect the public from dangers
- to contribute to the achievement of sustainable development
- to secure a diverse and viable long term energy supply, and
- shall have regard, in carrying out those functions, to the impact on the environment of the gas and electricity industries.

2.5. In carrying out our functions we must also have regard to the principles under which regulatory activities should be transparent, accountable, proportionate, consistent and targeted only at cases in which action is needed; and any other principles that appear to us to represent the best regulatory practice.

2.6. Furthermore, we must have regard to social and environmental guidance issued by Ministers. Ofgem also has a duty to consult and take into account any advice given by the Health and Safety Executive about all gas and electricity safety issues that may be relevant to our functions under the Gas Act and the Electricity Act.

Appendix 3 - Glossary

A

Annual bill

The annual bill is the amount that a customer would have to pay for gas and electricity over one whole year.

B

BGT

British Gas Trading Ltd, formerly part of British Gas plc, now part of Centrica plc.

D

DNO

Distributor Network Operators, also referred to as ex-PES Distributors and distribution companies.

Domestic energy suppliers

Companies who sell energy to and bill household customers.

DUoS

Distribution Use of System charges are charges paid by electricity suppliers to distribution companies for use of the distribution networks.

Dual fuel

A dual fuel customer is a customer that takes gas and electricity from the same supplier.

E

EA89

Electricity Act 1989

energywatch

The customer watchdog for gas and electricity markets in the UK. Energywatch can be contacted via their website at www.energywatch.org.uk or by calling their helpline number on 08459 06 07 08.

Entrant

An entrant in the gas supply sector refers to all gas suppliers except BGT. This includes the incumbent electricity suppliers. In the electricity sector, each region was supplied by a single supplier prior to market opening. In any one region, entrants are defined as entrants as all suppliers other than those in the same supply group as the former incumbent supplier in the region. This includes BGT and supply groups containing former incumbent suppliers from other regions.

G

Gains and losses

When a customer completes a switch to (from) a supplier, a gain (loss) is recorded for that supplier. Over a period of time, the result of these customer flows to and from a supplier is a net fall or rise in a supplier's customer numbers. A review of the magnitude of customer movement to and away from a supplier can therefore indicate market activity that may not be immediately apparent from a review of other indicators, such as market share.

GA86

Gas Act 1986

I

Incumbent

An incumbent is the group containing the former monopoly supplier in a particular sector. The incumbent in each region for electricity is the supply group containing the ex-PES. British Gas is the incumbent in the gas market. Prior to the introduction of competition into domestic gas and electricity supply, all household customers were with BGT for gas and the regional incumbent supplier for electricity.

K

kWh

kilowatt-hour is a unit used to measure energy consumption in both electricity and gas.

M

Market share

This is a measure of industry concentration. In this report, it shows the proportion of total customers (as proxied by the number of meter points) within a market that are registered to a particular supply group.

Medium consumption

Usage of 3300 kWh per year in electricity and 20500 kWh per year in gas.

MDD

Direct debit (DD) is a method of payment where a fixed amount is taken from a bank account each month, quarter or year. In this report, direct debit refers to monthly direct debit (MDD) only - suppliers typically offer a discount to customers who use this payment method.

N

Net switching

For gas, net switching refers to the proportion of customers no longer registered with BGT. For electricity, the national net switching figure refers to the average proportion of customers no longer registered with their local incumbent electricity supplier. Although this indicator provides a measure of progress of competition, it can understate the progress of competition as it does not account for customers regained by BGT (gas) or the regional incumbent supplier (electricity). Net switching is the inverse of the incumbent market share.

Non-price offers

For the purposes of this report, this term refers to a broad range of inducements offered by a supplier that are designed to alter a customers' valuation of functionally identical products, ie gas and electricity.

Non-switcher

Customers who have never switched from their incumbent supplier, ie BGT in gas or regional incumbent in electricity.

P

PES

Public Electricity Supplier is the former term for the 14 companies in England, Wales and Scotland that from privatisation in 1990 until 1998 had a monopoly of electricity supply and distribution in their designated areas.

PPM

A prepayment meter (PPM) customer pays for energy by inserting electronic tokens, keys or cards into a PPM.

Preserved tariff

A preserved tariff remains open for existing customers. However, new customers are unable to gain access to it.

S**SC**

Standard credit (SC) is a payment method that typically covers a wide range of payment mechanisms, including cash, cheque, credit card and standing order. A SC tariff is not available for PPM customers and does not attract a DD discount.

Supercomplaint

Section 11 of the Enterprise Act 2002 enables designated consumer bodies such as energywatch to make a complaint to the Office of Fair Trading or a relevant economic regulator that any feature, or combination of features, of a market in the UK for goods and services is or appears to be significantly harming the interests of consumers. These complaints are called 'Supercomplaints'.

Switchers

Customers who have changed gas and/ or electricity supplier at least once.

V**VAT**

Value Added Tax (VAT) is added to both gas and electricity domestic bills at a rate of 5 per cent. The annual bills shown in this report include VAT.