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OFGEM WARNED OVER 'FAILING' ANNUAL STATEMENTS

- **Undelivered:** just 37% of households claim to have received an annual energy statement^[1] despite Ofgem making this compulsory
- **Unrecognised:** almost 15 million households (56%) have either not received an annual statement from their energy supplier or have failed to recognise that they have had one^[1]
- **Unhelpful:** just 36% of recipients say that their annual statement was clearly labelled as such while only 39% say the information provided was useful^[2]
- **Unimpressed:** Plain English Campaign brands current annual statements as “confusing and inconsistent” - Ofgem to look at how suppliers have introduced annual statements as part of its current market review^[3]
- **Unsuccessful:** annual statements are supposed to boost the competitive market by helping consumers to switch to better energy deals, yet just 23% of recipients say this information was included on their annual statement and was easy to find^[4].

Ofgem is being warned that annual energy statements are failing to deliver, despite being a linchpin of its plans to boost the number of households taking part in the competitive energy market. Energy suppliers had until 1st December 2010 to provide customers with their first annual statement, detailing their current energy plan, yearly consumption and how much they can expect to pay for their energy over the next year. But, according to new research from uSwitch.com, the independent price comparison and switching service, only 37% of households claim to have received one^[1].

Worryingly, 56% of households, potentially 15 million across the country, have either not received an annual statement from their energy supplier or have failed to recognise that they have had one^[1]. The research highlights potential design or layout flaws that could be making it difficult for energy customers to identify an annual statement and to use the information to make informed choices as Ofgem had intended.

Of those who have received an annual statement, just 36% say that it was clearly labelled as such while just 39% say that the information it provided was useful^[2]. Less than one in ten (9%) thought that it contained different information to their regular energy bills, while 14% were not sure what they were supposed to do with the information^[2]. Just 20% of recipients used it to help them compare energy prices^[2].

Although annual statements were introduced to promote clarity and transparency, 16% of recipients actually found their annual statement confusing while 7% found the information that they wanted difficult to find^[2]. Annual energy statements are supposed to provide households with clear information and guidance to help them to ensure they are on the best deal, however just 23% of recipients say this information was on their annual statement and was easy to find^[4].

Unsurprisingly, when asked how they would improve annual energy statements, consumers wanted information that would help them reduce their bills. 64% would like to see a table of all the current tariffs offered by their supplier and the annual cost, 56% would like details of any discounts, such as direct debit discounts, and 46% would like details of any grants available from their supplier and the eligibility criteria^[5].

And consumers are right to see annual statements as such a golden opportunity. If designed and used properly they could pave the way for consumers to engage regularly in the market. [uSwitch.com](https://www.uswitch.com) data shows that households who regularly switched to the cheapest online plan in the market over the last 5 years paid £4,171 for their energy, while the average standard plan customer shelled out £5,253 during the same period - £1,082 more^[6]. With an annual prompt to switch, coupled with the right information to do so, many more households will be able to take advantage of lower prices.

Ann Robinson, Director of Consumer Policy at [uSwitch.com](https://www.uswitch.com), says: “Annual statements are a linchpin of Ofgem’s push to get the competitive energy market working properly, but consumers clearly don’t think they are coming up to scratch. The vast majority of households will have received an annual statement by now, but only 37% recognise that they have done so. The statements appear to be poorly labelled, difficult to understand and do not stand out from ordinary energy bills. As far as consumers are concerned, annual statements as they currently stand are not fit for purpose.

“Unfortunately, while this is the case consumers will be missing out. These statements should serve as an annual reminder to households to make sure that they are paying the lowest price for their gas and electricity. People who have done this regularly over the last 5 years saved over £1,000 and it would be great to see more following suit^[6]. We know that suppliers have worked hard on these statements so we hope that they will now listen to consumer feedback and will work together and with Ofgem on a best practice model. This work is vital if annual statements are to become the consumer-friendly prompt that Ofgem intended.”

Marie Clair, Press Officer at Plain English Campaign, says: “Annual energy statements are confusing and inconsistent. Suppliers have fallen into the trap of using language that is familiar to them, but unclear and often meaningless to the consumer. There needs to be consistency in the way suppliers present the information and the language they use - common sense would suggest that the best bits are taken from all the suppliers and pulled into one standard format adopted by all. This would really benefit consumers and turn annual statements into a meaningful and useful piece of communication.”

What information is on an annual energy statement?

Ofgem says that annual energy statements must contain:

- the name of your tariff
- how much energy you've used in the past 12 months in kilowatt hours (unless you've been with your energy supplier for less than 12 months)
- the estimated cost in pounds per year, if you stay on the same tariff, the tariff stays the same (e.g. no price rises or price cuts) and if you carry on using the same amount of energy
- the main terms and conditions of your tariff
- details of any premiums or discounts that apply to the tariff, or that you may be able to get if you switch to another tariff or payment method with the same supplier (e.g. if you paid by cheque and there was a direct debit discount available, your energy supplier would have to tell you about this on your annual energy statement)
- a reminder that you can switch your gas and electricity supplier and advice on how you can do so.

For more information visit www.uSwitch.com or call 0800 093 06 07

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Notes to editors:

Research referred to in the notes below was conducted online by YouGov Plc on behalf of uSwitch.com. Fieldwork took place from 21 – 24 January, 2011 among 2,022 people with decision making involvement with energy suppliers. Data is weighted.

- In response to: 'Energy suppliers must now send their customers an annual energy statement.... Have you had an annual energy statement from your energy supplier within the last 12 months?' 37% said yes. 30% said 'no' and 26% said 'I might have, I'm not sure'. These add up to 56% of all respondents. Assuming one respondent per household and 26 million households in the UK, 56% = 14.56 million households.
- See table below:

Thinking about your annual energy statement, which of the following applies to you? Please tick all that apply:	
It was clearly labelled as an annual energy statement	36%
The information it provided was different to my regular energy bills	9%
The information it provided was useful	39%
I used it to help me compare my energy prices	20%
I found the statement confusing	16%
It didn't contain information that I wanted	4%
I couldn't tell the difference between my annual energy statement and my regular bills	8%
The information I wanted was difficult to find	7%
I wasn't sure why the company had sent it to me	8%
I'm not sure what I'm supposed to do with the information	14%
It's a waste of time and paper	9%
I would like to be able to opt out of receiving this information	2%
None of these	4%
Don't know	3%

- Ofgem press office.
- In response to: 'Annual energy statements are supposed to provide clear information and guidance about how to ensure that you are on the best deal. Which of the following applies to you?' 23% said 'this information was on my annual statement and was easy to find.'
- In response to: 'What other information would you like to see included in your Annual Energy Statement?' 64% stated that they would like to see a table of all of the current tariffs offered by their provider and their annual cost, and 56% stated that they would like to know more about any discounts, such as direct debit discounts. 46% would like details of grants available from the supplier and the eligibility criteria.
- Note that this is based on previous consumption figures prior to Ofgem's recent revision. Based on a medium user using 3,300 kWh of electricity and 20,500 of gas on a standard dual fuel plan paying on receipt of bill averaged across all regions and all suppliers with the equivalent customer on the cheapest online plan in the market. The difference between the two plans over a 5 year period is £1,080, or an average of £216

Standard compared with online plans:

	Dec 2005	June 2006	Dec 2006	June 2007	Dec 2007	June 2008	Dec 2008	June 2009	Dec 2009	April 2010	5 year total
Average standard plan	£735	£915	£1,013	£913	£912	£1,048	£1,293	£1,243	£1,239	£1,194	£5,253
Cheapest online plan	£604	£662	£857	£755	£742	£862	£1,057	£1,018	£907	£877	£4,171

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