



For immediate release, November 2006
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Media Advisory

Setting the record straight - customers saved £130

Having survived 2005/06-gas crisis and exited the market in an orderly manner, Utilita has returned on average £130 to each of its former customers. Hundreds of customers have received over £200 back from the company. None of this would have been possible if the company had been liquidated after the events of 2005.

Energywatch, the independent gas and electricity watchdog, has claimed the company acted illegally. This claim has not subsequently been backed up by any legal action, from either Energywatch or Utilita customers. In fact, UK energy market regulator Ofgem has instructed Utilita to say this on the subject;

“Ofgem has been considering whether Utilita has been in breach of its licence condition, and does not intend to investigate the matter further in view of the steps apparently being undertaken by Utilita to mitigate the situation.”

Utilita still believes that in November 2005 its customers’ interests were best protected by its own actions and not by those of the regulators.

ENDS

EDITORS NOTES

[1] Utilita successfully launched an innovative approach to the supply of utilities at the end of 2004 – “do you get it”. The key benefits to the consumer were the supply of gas, electric (and

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telecoms) at fair prices tracking at lower rates than major competitors, a single quarterly bill with a monthly direct debit payment plan, and a unique points –based loyalty scheme redeemable against energy saving products, such as loft insulation and energy saving light bulbs.

[2] Unforeseen to all utility suppliers, the gas market failed dramatically in the autumn of 2005. Many other small independent providers went out of business, leaving their customers out of pocket. The six major suppliers were able to ride out the storm at the time, but they all have since increased their prices dramatically (and repeatedly).

[3] With their customers' best interests to the fore, Utilita undertook a rescue strategy which involved levying a £40 "surcharge" for dual fuel customers, and a transfer of the customer base to EDF Energy.

[4] Without these actions, it is likely Utilita would have become insolvent whereupon it would have been unlikely that customers would have received cash settlement for any credit accrued within their payment plan. By completing the rescue plan, Utilita were able to settle final accounts in the spring of 2006, to the tune of several hundred thousand pounds and at an average of £130 per customer.

[5] It became clear at the time that some customers hadn't joined Utilita to redeem their points for energy saving products. Instead they were looking for a cash refund on offer at the end of the first 12 months of their contract. The events of the autumn were before this 12 month period for most customers. Utilita agreed to honour any points that had been awarded prior to the transfer with energy saving products but offered no cash refunds.

[6] Allegations were also made that the surcharge was illegal but Energywatch took no legal action to back up these claims. Ofgem agreed that the following can be stated; "January 2006 - Ofgem has been considering whether Utilita has been in breach of its licence condition, and does not intend to investigate the matter further in view of the steps apparently being undertaken by Utilita to mitigate the situation."

[7] Utilita did not go unscathed during the rescue stage, incurring large scale losses, particularly during the two week customer transfer period, and the subsequent insolvency of one of its subsidiaries. The customer service team was also made redundant, and all pay to remaining non-essential staff was suspended.

[8] Utilita is remains fully committed to contributing significantly towards domestic energy efficiency, reducing household carbon levels and helping consumers save money and is working towards re-launching into the domestic utilities market in early 2007, with better products and with more robust financing.