



Energy Supply Probe – Proposed Retail Market Remedies

International Power Response – 28th May 2009

Introduction

International Power (IPR) is a UK-based FTSE-100 independent power generation company with interests in over 45 power stations and some closely linked businesses around the world. It has a total net ownership of 21,000 MW across 20 countries.

In the GB wholesale electricity market, IPR is a sizeable independent generator. With its partner Mitsui & Co., Ltd of Japan, IPR owns and operates 7% of GB's generating capacity, which represented 6% of the market by output in 2007. IPR's portfolio includes the 1,050 MW coal-fired plant at Rugeley, Staffordshire, a 1,200 MW cogeneration plant at Saltend, Hull, a 500 MW CCGT station in Deeside, North Wales, 2,088 MW of hydro-electric pumped storage capacity in Snowdonia, and a 140 MW oil-fired power station at Indian Queens, Cornwall.

In addition, through its newly created retail venture, IPM Energy Retail Ltd., IPR is in the process of establishing a supply business, targeting medium-sized I&C customers. Its aim is to provide an alternative route to market for our generation portfolio, to help protect the business from market risks resulting from poor wholesale liquidity.

Our overall impression of the consultation document is that the proposed remedies will be of benefit to customers and will improve customer engagement. As we are not a participant in the domestic supply sector we have not commented on proposals specifically relating to these customers.

Standards of Conduct for Suppliers in the Retail Market

IPR supports the proposed overarching standards of conduct outlined in section 2.12 of the consultation document. With regard to the question as to whether these should be included as "a preamble to relevant license conditions" (Option 1) or set out as "overall aims" (Option 2) we would be comfortable with either option. We feel that there could be benefit in Option 1 in order to give the standards increased status and to ensure that all suppliers are fully aware them.

Helping Small Business Customers

IPR supports the informational remedies detailed in the consultation and feel that these proposals represent good business practice. Consideration should be given to how the requirements to provide terms and conditions before a contract is agreed will impact the ability

of suppliers to sign up customers through telesales channels. If sales through this channel become more difficult then there could be a negative impact on customer switching rates.

We have some reservations regarding the proposal to remove suppliers' ability to automatically roll over fixed term contracts. If the informational remedies around the switching process are robust and a code of practice is established that enforces a reasonable switching window for customers, then we feel the issue of customer's being unwittingly rolled onto another contract will have been addressed. The banning of roll over could result in customers being punished for failing to engage with the market at the end of their contract, as suppliers are forced to place them onto high priced variable "out of contract" tariffs. A possible compromise would be to limit the term of any roll over contract to 12 months.

With regards to the accreditation of switching sites for Small Business Customers, we feel that while this could increase customer engagement, the complexity associated with the number of tariff structures in the sector may make this unworkable.

IPR supports the proposals concerning the development of a more robust code of practice for third party intermediaries (TPIs) with involvement from the OFT. We believe that the alternative option of obligating suppliers to disclose commissions to customers should only be considered in the event that TPIs fail to sign up to or adhere to the code of practice.

Promoting Market Transparency

IPR supports the proposals made in this area. With regards to the collecting of financial information from the Big 6, we feel that this is a small step towards making the market more transparent, allowing increased scrutiny of business unit performance. This may help to determine more clearly whether, for instance, generation choices are made efficiently, and on the same basis as independent generators. Of the options put forward, we are minded to support Option 4, but feel that Option 2 would also provide the majority of the information required.