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LAGUR

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Dear Mr Anthony

Transfer objections: stronger rights for industrial and commercial customers

LAGUR is a lobbying and Educational body primarily for the Public Sector, but we also have a specific interest in the multi-site private sector. LAGUR has been at the forefront of efforts to produce a compromise between the two polarized views, a) complete abolition of any objection process and b) the extension of the present gas objections into the electricity markets. LAGUR would make the following observations that are numbered as per the consultation document.

1.8 We agree with this Objective but would comment that some problems were caused regarding the definition of "debt". If any reference to debt is maintained within the rules (and we do not believe it should be) or in a customers contract this must be fully defined.

1.10 Agreed. In reality most consumers (except the largest), have to take the terms and conditions offered to them by suppliers with perhaps, some minor changes. If the objection process is taken from the licence and placed with the contract, then suppliers will need to lose the "take it or leave it" attitude and have the will to produce fair "objection process" clauses.

1.18 An ideal approach but not very practical within the time limits and volumes involved. It does not happen now in the majority of cases within the electricity industry.

1.19 LAGUR would be prepared to work with suppliers to try and ensure that this happens

1.21 LAGUR would be wholly against this as, it is the problems within the electricity industry caused by this approach, which made them raise the issue with Ofgem in the first place!

1.22 LAGUR would find this approach the most acceptable.

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3.8 Many suppliers appear to not be able to work this system because of time scales and volumes involved. Indeed, many customers cannot react in time if a supplier does manage to contact them. The volume issue may be because the existing objection process is not being used as intended!

3.21/3.22 Although this is true, in practice, LAGUR believes that Ofgem have not pursued these options with enough vigour.

4.10 The smearing of costs is a difficult issue, because it is not only the cost of cash recovery, but also the cost of risk which is referred to in 6.1. As the argument has been given that these moves should be implemented to bring gas and electricity into line with other commodities, it is inevitable that the cost of debt collection will be smeared across the industry.

4.16 LAGUR acknowledges this view, understands the problems involved and will do all it can to promulgate the resolutions within its membership.

6.1 We believe that the dangers of cost smearing are far more onerous by smearing of the cost of risk within the cost of product. There must be a willingness for suppliers to represent these costs fairly in prices. If not, those who agree to the objection process will be penalised, by picking up the costs of risk for those who do not accept the objection process.

6.6 Ofgem's new found willingness to "name and shame" we believe, should be used automatically for those abusing the process.

6.8 LAGUR is prepared to play its part in producing accepted standard terms with suppliers, on behalf of the Public Sector and multi-site users.

Appendix 1 Defined Terms

The Terms quoted are correct but have omitted to mention the clarification issued by Ofgem regarding these terms. Ofgem agreed, that any supply that was deemed to be an I & C supply under the terms of 1.1 could be regarded as an I & C supply under the terms of 1.2. LAGUR would wish this to be made intrinsically clear in any final resolution of the issue.

Summary

In summary, LAGUR supports the efforts of Ofgem to solve this longstanding issue, by deleting the Objection requirements in the Licence conditions and making them a matter of contract between supplier and consumer. Attention should be made within the deliberations to the cost of Risk being equitably applied to those who incur such risks and not smeared across the industries. Equally, suppliers should be ready to negotiate fair clauses in contracts to cover these issues.

Yours faithfully



R Sinden
Co-founder