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Dear Nigel,

CUSTOMER TRANSFER PROCESS

Thank you for allowing us to comment on discussion document "Customer Transfer Process". Set out below are EIC's comments on the Customer Transfer Process and, in particular, its relevance to the Industrial and Commercial (I&C) market.

EIC welcomes Ofgem's intention to discuss the customer transfer problems currently dogging the industry and agrees that the existing systems are no longer fit for the purpose. EIC conducts Tendering & Negotiation services for Industrial and Commercial customers and is therefore at the 'coal-face' of the Customer Transfer Process.

EIC acknowledges that the majority of customers have no problem at all when transferring suppliers. However, an increasingly significant number of customers have experienced problems of delayed transfers, poor billing and unsatisfactory problem resolution. Suppliers also now prefer to not quote for business rather than negotiate over Terms and Conditions (Ts & Cs). EIC believes that these issues are leading to a sharp decline in the number of annual customer transfers and this will have a detrimental effect on retail competition.

We recognise the fact that Ofgem believes the industry is best placed to take this issue forward. However, EIC would question whether self-regulation is the most appropriate solution in an oligopolistic market. EIC strongly believe Ofgem and energywatch should take a proactive role in the process.

Ofgem/energywatch summit

EIC welcomes the intent to provide suppliers, customer groups and other industry participants with the opportunity to express their views at the recent Ofgem and energywatch summit held on the 11th June. However, EIC were disappointed that the meeting appeared to be focussed very much on domestic consumers. There appeared to be little interest in discussing problems in the I&C market and only one or two representatives from this side of the industry were invited.

Time taken to transfer

When things run smoothly, the transfer process is adequate albeit a little cumbersome. However, suppliers object to transfers far too frequently and it seems the attitude of 'object

now, ask questions later' often prevails. EIC is aware of several I&C consumers who have been discouraged from changing supplier because of the hassle involved.

One example of problems with the transfer process was highlighted recently when one major supplier blocked a transfer because the customer was £3 in debt. This was a consumer that was paying tens of thousands of pounds a year and this was despite the fact that the customer paid by direct debit. The consequence of this was a delayed start for the following contract period and the consumer was subjected to out-of-contract rates. Suppliers are using transfer objections as a means of discouraging consumers to switch and this does have a detrimental effect on competition.

Different arrangements for gas and electricity

We believe this is the least important factor. This argument focuses around domestic consumers because many are now taking both fuels from the same supplier. However, any attempts to align the gas and electricity transfer processes are irrelevant to I&C consumers.

Billing problems following transfer

EIC's consumers frequently encounter billing problems following transfer. As well as providing Tendering and Negotiations services, EIC also provides consumers with a bill validation service and recently identified in excess of £150,000 of billing errors for one consumer.

Problem resolution

Problem resolution tends to be a greater issue when little personal attention is given to the issue. Larger I&C consumers tend to get problems resolved more quickly due to the fact that key account managers can devote more time to resolving the issue. However, smaller I&C consumers are still just as likely to suffer from poor service as domestic consumers.

Accountability

It is a misconception that the I&C market requires less protection than domestic consumers. Consolidation amongst suppliers and rising wholesale prices has meant that there has been no interest in negotiating over Ts & Cs from suppliers and stricter enforcement of the terms. It is currently a supplier's market and there appears to be little interest in continuing to improve customer service. Except for the very largest customers, suppliers would rather not quote for the business than negotiate over Ts & Cs. Therefore, it is important that Ofgem continues to keep a close eye on the activities of suppliers and this should include the I&C market.

Information provision

There are still many issues with information provision and the accuracy of the data. This point has been highlighted in several reports recently indicating that nearly nine out of ten customers utility records are inaccurate in some way. This is apparent in the information that both suppliers and Transco hold and is frequently the cause of many transfer process issues.

Conclusion

In summary, EIC believes there should be a greater focus on the Industrial & Commercial market. There continues to be problems with transfers and billing and EIC believes the problems within the I&C market are somewhat underestimated. The refusal to negotiate over Ts & Cs is a case in point. We believe that Ofgem should continue to keep an eye on

suppliers to ensure that the industry is able to resolve this ongoing problem as swiftly as possible.

We trust that you find these comments helpful. Meanwhile, if we can be of further assistance, please contact either myself or my colleagues in the Market Analysis team on (01638) 554935.

Yours sincerely,

Matthew Williamson
Utilities Market Analyst