

4 July 2003

Nigel Nash  
Ofgem  
9 Millbank  
London  
SW1P 3GE

Dear Nigel

**Customer Transfer Process**

Thank you for giving us the opportunity to comment on your discussion document on the customer transfer process. These comments are the views of the Quantum Energy Group.

We feel that, as an Industry we should continually review our performance and progress to ensure that we are meeting consumer needs and to improve or correct processes and procedures, which lead to inefficiencies and consumer difficulties. Where Industry processes are contributing to problems, we support addressing those issues and making changes where appropriate. We are also supportive of meeting consumer requirements, where we can and believe that this is a sound commercial principal as opposed to one imposed on us.

Your document seemed to be based on evidence and consumer information from the domestic markets in both gas and electricity. As a participant in the gas industrial and commercial market we were disappointed that the discussion document did not acknowledge the differences between the markets themselves and the consumers within them.

Firstly there is the gas and electricity markets. Both are energy commodities but their natures to different Industry processes. We are anxious that differences should not be forgotten or ignored in the urgency to marry processes. There is no sense in introducing layers of complexity to the processes associated with a commodity if that commodity does not require it.

There are also the 'domestic' and 'industrial and commercial' (I & C) markets. These too are very different markets with different consumers requiring different services and prices. The one market is characterised by high volumes of consumers taking low volumes of

gas and the other by lower volumes of consumers taking higher volumes of gas. These markets were considered to be different enough to introduce competition at different times, but seem not different enough to consider whether improvements should be globally applied over all markets or whether improvements be made in each market where necessary.

We are aware that most of the issues mentioned in this discussion document and other consultations on the subject do affect both the domestic and the I & C markets. However our own experience makes us believe that the level of complaints associated with these issues, in each of the markets, are at very different levels. In our view we are being called by Ofgem to remedy the customer transfer mechanism in the gas I & C market, when we do not yet acknowledge that it is 'broken'!

We challenge Ofgem to provide the evidence, which suggests that, the gas I & C change of supplier process needs a radical overhaul. We would also wish Ofgem to share the evidential symptoms in which reduced volumes will suggest to Ofgem that issues are being resolved.

We believe that some changes, which would have helped either, but not both of the markets, have been prevented by the potential impact on the other market. It is also our belief that the current change of supplier process was designed for the low volume I & C market and was adopted & adapted, perhaps unwisely, for the domestic market. We believe that it is now the time to recognise and acknowledge the differences in the markets. We believe that time, effort and money should be directed at improving the domestic change of supplier process and associated processes, where evidence suggests it would be appropriate. Also that I & C participants should not be required to either incur unnecessary costs or subsidise the cost of improvements from which they are unlikely to benefit. If this requires separation of the domestic processes away from those of I & C, we would support this initiative.

We would expect consumers to request better customer service if asked and the Ofgem discussion paper is clear that this is what consumers want. However if the changes resulted in increased costs to serve consumers, the Ofgem paper does not review to what extent consumers would be prepared to pay for the improvements and to what extent they might choose to remain with the level of customer service they currently enjoy. This service differentiation is particularly important in the I & C market and we are concerned that our ability to make our service unique is being thwarted by pressure to standardise more areas of the business.

We would also like to comment about the passing of data within the industry. We feel that some clarity from Ofgem about the ownership of data relating to both meterpoints and the consumers' patterns of usage and to what extent it can be passed between suppliers at

change of supplier would help the industry discussions. In the past some players in the Industry have hidden behind the possible legal difficulties of passing this data. Meter reading history, for example, is paid for by the consumer and would assist a new supplier in quoting accurately, billing accurately and verifying meters. It seems that the consumer must pay for the acquisition of such data items each time they change supplier and are effectively paying for the acquisition of the same data over and over again.

Finally, Ofgem are proposing that suppliers address these issues themselves. We support this, but have concerns when we compare the governance regime under which this might be done, compared with that available in implementing the RGMA processes. We are concerned that parties may have an undue influence on how the Customer Transfer project is developed and that this may be to our detriment. The possibility of this is currently being demonstrated in the metering project and we are concerned that this could happen again and have a more material consequence. We are also keen to ensure that I & C company representatives are invited to Industry discussions and that these are not exclusively participants with both an I & C and a domestic portfolio. In our experience many of these are happy to sacrifice what is best for their I & C portfolio in favour of their domestic portfolio, thus having very different views and incentives to participants such as ourselves. We would like to know if Ofgem could give us any reassurance in these areas.

If you would like to discuss any of the points raised here or seek further clarity, please call me on 020 8632 8012.

Yours sincerely

Anne Jackson

Regulatory Development Manager