

Objecting in the Domestic Market

Decision document

July 2003

Summary

This document sets out a summary of the responses to the consultation document “Objecting in the Domestic Market”¹ published in March 2003. It includes Ofgem’s views, decisions and recommendations in the light of these responses.

The March 2003 consultation proposed changes to the circumstances in which a gas supplier could prevent a domestic customer’s transfer to a new supplier. Specifically it proposed that suppliers should not be able to prevent a customer switching supplier simply because the customer has not given sufficient notice of termination for their existing contract.

The March 2003 consultation also considered giving suppliers the ability to prevent an erroneous transfer from taking place by blocking the transfer either where the customer states that they have not entered into a contract with the other supplier or where both suppliers agree that the transfer will otherwise occur in error.

After reviewing the responses, Ofgem retains the view that permitting objections where the customer has not submitted a termination notice or has provided insufficient notice adds unnecessary complexity and may frustrate the customer’s attempts to transfer to a new supplier. Removing a suppliers’ right to object on these grounds will mean that customers find it easier to change supplier and are not restrained by the old supplier objecting to the move based on insufficient contractual termination notice. Ofgem also consider that there is benefit for customers in allowing the old supplier to initiate an objection when the customer clearly states that they have not entered into a contract with the new supplier or where the new supplier has requested them to object.

This document sets out the planned next steps towards modifying the Gas Suppliers Licence and notes the parallel developments in the domestic electricity industry. This document also sets out the proposed modification to the Standard Licence Conditions of the Gas Suppliers Licence. The notice required under section 23 (3) of the Gas Act 1986 to modify the Standard Licence Conditions of the Gas Suppliers Licence will be issued during August 2003 following the publication after the current consultation of guidance by Ofgem on the making of modifications to the standard conditions of licence holders.

¹ http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/2526_1503objectdommkt.pdf

Ofgem will give due consideration to any representations and objections which are made in response to the section 23 (3) notice. It is anticipated that the modification will be made with effect from October 2003.

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1. Rationale

Issue

- 1.1. In the gas market, the objection rules are set out in Standard Licence Condition 30 of the Gas Suppliers Licence. In the electricity market they are set out in Clause 16 of the Master Registration Agreement (MRA²). Under Standard Licence Condition 20 of the Electricity Supply Licence, suppliers are required to become a party to and comply with the MRA.
- 1.2. In the gas market suppliers are permitted to block a transfer where a customer has not provided sufficient contractual notice that they wish to terminate their contract. From 1st June 2003 the right of domestic electricity suppliers to object on these grounds has been removed from the MRA. Concerns have been raised by customers and suppliers regarding an incumbent supplier's ability to process and manage contract termination notices that have been sent to them. Where suppliers do not manage the process properly incorrect objections may be raised.
- 1.3. Where the customer wishes the transfer to proceed and their supplier raises an objection, it results in a delayed transfer that can frustrate both the customer and the new supplier. Under the current objection rules there is a risk that a supplier will use objections to retain customers outside of the circumstances permitted either intentionally or through processing errors.
- 1.4. Erroneous transfers are a source of inconvenience, frustration and in some cases distress for customers. Customers should only be transferred where they have entered into a new contract with a supplier. Where a customer states that they have not entered into a contract to transfer, there is merit in allowing the existing supplier to block the transfer.
- 1.5. In addition, the right for a supplier to object on a co-operative basis to prevent a transfer taking place with the agreement of the other supplier is valuable in

² A legally binding, multi lateral agreement established for the electricity industry to govern the provision and use of metering point administration services by market participants for the development, maintenance and operation of an efficient system for the supply of electricity in England, Wales and Scotland.

preventing an otherwise erroneous transfer of a customer. This process currently operates formally in the domestic electricity market under the MRA but only on a voluntary basis under the Domestic Supplier's Code of Practice (DCoP) for the domestic gas market.

Objective

- 1.6. Ofgem believes that modifying the Gas Suppliers Licence will allow customers to switch supplier more easily but will also provide sufficient process safeguards that will help stop customers being erroneously transferred.
- 1.7. Ofgem considers that these modifications will formalise the behaviour of the majority of domestic gas suppliers in not objecting to proposed customer transfers on grounds of insufficient contractual termination notice.

Policy

- 1.8. Ofgem considers that the right of gas and electricity suppliers to prevent customer transfers by raising objections for lack of sufficient contractual termination notice is not necessary or desirable in the domestic market.
- 1.9. Ofgem considers that where a customer states that they have not entered into a contract with another supplier who is attempting to transfer them, then they should be able to ask their current supplier to block the transfer. Ofgem considers that this proposal is a positive step to prevent customers from being erroneously transferred. Ofgem notes the concern about potential abuse of the objection process, in particular the right of suppliers to make customer requested objections, and considers that appropriate safeguards should be put in place. These will include the transparency of the objection reason to the customer and the other supplier and maintaining evidence on the reason for the objection to allow audit.
- 1.10. Ofgem also considers that the right for a supplier to object on a co-operative basis to prevent a transfer taking place with the agreement of the other supplier is valuable in preventing an otherwise erroneous transfer of a customer.

- 1.11. Ofgem considers that the arrangements governing the use of objections should as far as possible be aligned for both gas and electricity, and customer experience in both markets should be the same.
- 1.12. It is now Ofgem's intention to go forward with the proposals set out in the March 2003 consultation in relation to the modification of Standard Licence Condition 46 of the Gas Suppliers Licence to allow suppliers to object where a customer states that they have not entered into a contract or with the agreement of the other supplier and to remove a domestic gas supplier's right to object on grounds of lack of sufficient contractual termination notice.
- 1.13. The vast majority of respondents to the March 2003 consultation agreed with Ofgem's recommendations. They felt that the proposals would provide a less complex process and reduce administrative costs for suppliers, whilst improving the customer experience and facilitating competition.

2. Timetable

2.1. The timetable for key events identified in this document is as follows.

25 July 2003	Publish decision document.
August 2003	Publish a notice under Section 23 of the Gas Act 1986, proposing a modification to the Gas Suppliers Licence.
September 2003	End of period for representations and objections.
September 2003	Announce decision following consideration of any representations or objections.
October 2003	Implement modification to the Gas Suppliers Licence.

On 3 July 2003 Ofgem consulted on guidance for the making of modifications to the standard conditions of licences. Responses to this consultation were requested by 31 July 2003. Ofgem does not propose to issue a notice under Section 23 of the Gas Act 1986 to amend the Gas Suppliers Licence in respect to the right to object in advance of this guidance being in place. It is anticipated that this guidance will be in place during August 2003.

3. Background

Termination Notice Trial

- 3.1. Since the opening up of the domestic market to full competition, Ofgem has become increasingly concerned about the proportion of customer transfers that were being blocked by the incumbent suppliers. In addition, customers and suppliers expressed concern that substantial numbers of customer transfers were objected to due to insufficient contractual termination notice in cases where it was believed that these notices had been sent.
- 3.2. In October 1999 Ofgem initiated the Termination Notice Trial (the Trial) in the domestic gas and electricity markets. Under the terms of the Trial the majority of suppliers agreed not to object on grounds of lack of sufficient contractual termination notice.
- 3.3. Following audits on suppliers who elected not to participate in the Trial, Ofgem reported a number of concerns. These included both operational issues, for example the ability of suppliers to process termination notices in a timely manner, and concerns about the impact of objections on the development of competition.
- 3.4. Since the introduction of the Trial additional suppliers have agreed to abide by its terms. All domestic gas and electricity suppliers agreed to stop objecting for insufficient contractual termination notice as of 1 July 2003.

March 2000 Consultation Document

- 3.5. In March 2000 Ofgem issued a consultation document entitled "Removing a supplier's right to object to customer transfer on the grounds of insufficient termination notice³".
- 3.6. This document proposed the removal of the right of domestic gas and electricity suppliers and of industrial and commercial (I&C) gas suppliers to prevent a

³ http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/1572_tranmar.pdf

transfer on the basis that the customer had not provided sufficient notice of contract termination.

- 3.7. Having considered the responses to the March 2000 consultation Ofgem revised the proposed modification to affect domestic customers only. In July 2000 Ofgem issued a formal Notice of the Director General's proposal to modify the Gas Suppliers Licence.
- 3.8. This modification did not receive the level of support needed to amend the Gas Suppliers Licence. A significant number of I&C suppliers voted against the modification even though the change only impacted domestic suppliers.

March 2003 Consultation Document

- 3.9. In March 2003 Ofgem issued a consultation document "Objecting in the Domestic Market". This considered changes to the circumstances in which a gas supplier may prevent a domestic customer's transfer to a new supplier.
- 3.10. The document proposed the following licence amendments to Standard Licence Condition 46 of the Gas Suppliers Licence:
 - ◆ Remove a domestic gas supplier's right to object on grounds of lack of sufficient contractual termination notice.
 - ◆ Allow the old supplier to object to a proposed transfer taking place where its customer has clearly stated that they have not entered into a contract with the new supplier and that such a transfer would be erroneous. Where such an objection is made the objecting supplier shall:
 - ◆ keep evidence of the customer's request and reasons for the request for at least 12 months, and
 - ◆ inform the new supplier that the objection has been raised at the customer's request and the reason given by the customer.

- ◆ Include the ability for the new supplier to agree with the old supplier that the proposed transfer has been initiated in error and that a co-operative objection should be made by the old supplier.
- ◆ Ensure that the old supplier informs the customer that it has prevented the proposed transfer, the grounds for preventing the transfer and how the customer may dispute or resolve such grounds.

3.11. In total Ofgem received 9 responses to the March 2003 consultation. Of these, 7 were from suppliers with National Grid Transco and energywatch also providing views. A full list of respondents can be seen in Appendix 1 and non-confidential responses are shown on the Ofgem website⁴.

3.12. A summary of responses received can be found in the following chapters.

⁴ http://www.ofgem.gov.uk/ofgem/work/index.jsp?section=customertransfer&levelids=,1_2706

4. Contract Termination Notice

- 4.1. The March 2003 consultation proposed that a domestic supplier's right to object on grounds that the customer has provided insufficient termination notice should be removed.
- 4.2. This chapter sets out the views of respondents on this proposed modification together with Ofgem's comments on these views.

Respondents' views

- 4.3. All of the respondents fully supported the removal of the right to object for lack of sufficient contractual termination notice for the domestic gas market. One supplier felt that this aspect of the registration process was not desirable and increased complexity to the transfer process and confused customers. A number of suppliers also felt that the processing of termination notices was a financial burden and did not reduce erroneous transfer opportunities.
- 4.4. One respondent welcomed the fact that removal of this objection reason would create a level playing field for all suppliers. energywatch's experience was that some suppliers' practices on objecting were inconsistent, unfair and a deterrent to consumers switching. There had been consumer confusion over many tit-for-tat⁵ retaliatory objections raised by suppliers who were or were not part of the original Trial.

Ofgem's view

- 4.5. Ofgem supports the views of the suppliers and energywatch. As stated in the March 2003 consultation, Ofgem considers that suppliers should not be able to prevent a domestic customer transferring their supply to a new supplier simply because the customer has not given sufficient notice of contract termination.

⁵ Some suppliers undertook tit-for-tat objections. If one of their customers was transferring to another supplier who was in the Trial then they would not object due to lack of sufficient contractual termination notice. If the other supplier was not in the Trial then they would raise an objection if they had not received sufficient termination notice.

5. Customer Requested Objections

- 5.1. The March 2003 consultation proposed giving incumbent suppliers the ability to prevent an erroneous transfer from taking place by blocking the transfer where the customer states that they have not entered into a contract with the new supplier, a customer requested objection (CRO).
- 5.2. In addition, incumbent suppliers would have to keep evidence of the customer's request and reasons for the request for at least 12 months. They would also be required to inform the new supplier that the objection has been raised at the customer's request and the reason given by the customer.
- 5.3. Upon raising a CRO the old supplier would also have to inform the customer that it has prevented the proposed transfer, the grounds for preventing the transfer and how the customer may dispute or resolve such grounds.

Respondents' views

- 5.4. The majority of respondents were in favour of introducing CROs where the customer clearly states that they have not entered into a contract with the new supplier. It was felt that CROs would help prevent erroneous transfers in the domestic market.
- 5.5. A number of suppliers expressed concern that the old supplier should not be able to raise objections following a unilateral discussion with the customer other than where the customer explicitly states not to have entered into a contract with the new supplier. It was felt that suppliers may otherwise use CROs as part of their retention strategy or that the customer's wishes could be misinterpreted by the old supplier. Suppliers felt that CROs must not be used to impede competition in the energy market.
- 5.6. The majority of respondents felt that the audit requirements proposed in the March 2003 consultation with regard to the keeping of evidence, reporting and notification to the customer were appropriate and helped to reduce concerns over the misuse of this objection route. energywatch also considered it essential that robust monitoring was undertaken to ensure that abuses were not perpetrated, and they suggested that suppliers report to Ofgem the number of

customers they contacted to remain with them and the number that actually did so.

- 5.7. Two suppliers were not in favour of this proposal, as they felt that there were a number of other reasons for erroneous transfers that would not be covered by cases where the customer did not believe that they had entered into a contract which should be considered a legitimate ground for allowing the old supplier to raise a customer requested objection. Powergen said that they should be able to object whenever the customer believes a transfer to be erroneous, and that they would like the reasons for raising a CRO extended to include all the erroneous transfer reasons, for example where an incorrect meter point is selected, where a domestic customer contacts the new supplier to request that their contract is cancelled and this is not actioned and where the supplier suspects that the customer has been given misleading information (for instance, owing to fraudulent practice or training issues).
- 5.8. Two suppliers expressed some concerns with the audit requirements. Whilst both stated that they understood the rationale behind the proposal, they felt that retaining evidence of the customer contact through a taped telephone conversation or written correspondence to be neither practical nor reasonable, both in terms of cost and timing. Both suppliers said that this may result in CROs not being raised.

Ofgem's view

- 5.9. Ofgem shares suppliers' concerns about reducing the level of erroneous transfers and welcomes the general support for CROs together with the associated audit requirements. Ofgem considers that broadening the allowed circumstances for CROs over and above instances where the customer clearly states not to have entered into a contract with a new supplier leads to ambiguity in the process and adds risk that suppliers may act against the customer's interest by incorrectly interpreting a communication with the customer as a request by the customer to object to the transfer. The objection process should not be used in this circumstance.
- 5.10. Ofgem notes the concern about potential for the incumbent supplier to use the objection process to retain customers. Even with the tight definition for the

CRO's proposed, we feel that an enforceable audit requirement and strict monitoring is required to prevent objections being raised in inappropriate circumstances. The safeguards include: transparency of the objection reason to the customer and the other supplier, and maintaining evidence on the reason for the objection for a minimum period to allow investigation of any complaints raised.

- 5.11. Ofgem consider that taped telephone conversations or written correspondence would be appropriate in these circumstances as evidence that a supplier had not raised objections in inappropriate circumstances. Ofgem does not consider that an entry onto a customer database, indicating the customer's belief not to have entered into a contract, to be sufficient evidence of the customer's request not to be transferred.

6. Co-operative Objections

- 6.1. The March 2003 consultation proposed including the ability for the new supplier to agree with the old supplier that the proposed transfer has been initiated in error and that a co-operative objection should be made by the old supplier.

Respondents' views

- 6.2. All suppliers agreed that there was merit in allowing a co-operative objection to be raised by the old supplier with the agreement of the new supplier. This change will formalise current practices in the domestic gas market, align the position regarding co-operative objections in gas with electricity and help to minimise erroneous transfers. In electricity this process is set out in Clause 16 of the MRA.
- 6.3. energywatch saw much potential in an orderly, well-monitored co-operative objections procedure leading to the prevention of many forms of erroneous transfers.
- 6.4. One supplier requested that the scope of co-operative objections be widened. As they required the agreement of both suppliers there is no need to restrict their scope to "transfers initiated in error".
- 6.5. Two suppliers believed that the co-operative process should be the preferred industry method for the prevention of erroneous transfers identified during the objection window.

Ofgem's view

- 6.6. In the electricity market domestic suppliers are permitted to object where they have the agreement of the incoming supplier to prevent transfers initiated in error. This process is considered to be of use in preventing erroneous transfers. The co-operative objection process currently operates on a voluntary basis under the Domestic Gas Suppliers Code of Practice and Ofgem sees merit in formalising this process in cases where the transfer would otherwise occur in error to prevent erroneous transfers.

- 6.7. British Gas and Scottish Power initiated a trial in February 2003, which sought to formalise the co-operative objection procedure by establishing appropriate timescales for sending and responding to co-operative objection requests. This trial has been widened with more suppliers joining. Initial results indicate that erroneous transfer volumes have reduced between the suppliers in the trial.
- 6.8. In the domestic gas market National Grid Transco's system enables suppliers to withdraw their registration to transfer a customer. The new supplier is able to stop the registration from progressing, without having to involve the incumbent supplier. Ofgem believes that this is a useful mechanism for the new supplier preventing erroneous transfers which does not rely on the co-operation of the incumbent supplier.
- 6.9. Ofgem consider that the right of a supplier to object on a co-operative basis to prevent a transfer initiated in error with the agreement of the other supplier is a valuable facility in preventing an otherwise erroneous transfer of a customer. The restriction in the use of co-operative objections to stop erroneous transfers reflects the current provisions for the electricity market as set out in the MRA.

7. Other Issues

Customer Information

- 7.1. The March 2003 consultation proposed that the current supplier should inform the customer of the reason for the objection and tell them how they can dispute or resolve that reason.

Respondents' views

- 7.2. energywatch said that transparency of process was essential so that consumers know where they stood on issues surrounding the transfer process. They believed that record keeping proposals and the provision for inter-supplier and supplier-consumer communication are essential if the proposed scheme is to work.

Ofgem's view

- 7.3. Ofgem considers that it is important that the reason for the objection is fully transparent to the customer so that they are aware of what has occurred. This will also assist in identifying any possible cases where suppliers are incorrectly using the objection process.

Energy Efficiency Services

- 7.4. Although we did not ask for views on the circumstances where an energy supply contract is linked to the provision of other services such as energy efficiency services, a number of respondents provided comments in this area. The current objection rules in the gas and electricity markets do not allow suppliers to raise objections to transfer on the grounds that a linked contract is in existence (these are sometimes referred to as Energy Service Company or ESCO contracts).

Respondents' views

- 7.5. One respondent said that Ofgem should consider the management of supplier risk if customers on ESCO contracts decided to change supplier. Another

supplier said that there was merit in introducing the right to object where customers have entered into a dual fuel fixed term contract or an ESCO contract. Suppliers would have to draw customer's attention to the termination notice provisions and show the charges for energy efficiency goods and services separately from energy supply.

- 7.6. One respondent said that removing a supplier's right to object for insufficient contractual termination notice may also reduce the timescale in which suppliers can negotiate alternative payment arrangements for customers who had taken advantage of approved energy efficiency schemes. They said that the co-operative objection process should be extended to include these customers as customers could be contacted and advised of any financial implications of their move.

Ofgem's view

- 7.7. Ofgem notes the concerns raised about the risk associated in providing linked products to customers in their contracts such as energy efficiency services. However, the rights to object on these grounds do not currently exist and Ofgem considers that this issue falls outside the scope of this licence modification proposal.
- 7.8. Following the Energy White Paper a working group has been established by the DTI, Ofgem and suppliers to examine how to create an effective market in energy services.

Permanent objections

- 7.9. A few suppliers suggested in their responses that Ofgem should consider the notion for customers to lodge permanent objections until they specifically agree to change supplier. This would stop vulnerable customers from being repeatedly transferred erroneously.

Ofgem view

- 7.10. Whilst Ofgem is concerned that customers should not be incorrectly transferred we believe that lodging permanent objections could lead to some suppliers

abusing the objection facility and retaining customers incorrectly. Ofgem considers that if this facility existed it may encourage suppliers to solicit this request from customers and hinder competition. The process could also be difficult to manage for a supplier, for example in processing requests from customers to have their permanent objection removed, and lead to problems similar to those experienced with customers sending in contract termination notices.

8. Decision

- 8.1. This chapter summarises Ofgem's decision following consideration of the responses to the March 2003 consultation.

Termination Notice Objections

- 8.2. Ofgem proposes to modify Standard Licence Condition 46 of the Gas Suppliers Licence by removing a gas supplier's right to object on grounds of lack of sufficient contractual termination notice.
- 8.3. In a flexible, competitive market the right to object in this circumstance is not compatible with the interests of customers and should no longer be permitted. This change would align the domestic gas market with the domestic electricity market following an amendment to the MRA on 1st June 2003.

Customer Requested Objections

- 8.4. Ofgem proposes to modify Standard Licence Condition 46 of the Gas Suppliers Licence to permit the incumbent gas supplier to object to the transfer where its domestic customer has clearly stated that they have not entered into a contract with the new supplier.
- 8.5. Ofgem also proposes to include in this licence condition the requirement for the incumbent supplier to keep evidence of the customer's request and reasons for the request for at least 12 months and to inform the new supplier that the objection has been raised at the customer's request and the reason given by the customer. For clarification, Ofgem does not consider that an entry onto a customer database, indicating the customer's belief not to have entered into a contract, to be sufficient evidence of the customer's request not to be transferred.
- 8.6. Erroneous transfers are a source of inconvenience and frustration for customers. Ofgem believes that it is important that customers are protected from being transferred erroneously where they state not to have entered into a new supply contract. Ofgem also believes that customers should be protected from suppliers raising objections in circumstances that are not permitted by their licence and

that the requirements to provide and hold information will lead to transparency in the raising of CROs.

Co-operative Objections

- 8.7. Ofgem proposes to modify Standard Licence Condition 46 of the Gas Suppliers Licence to permit gas suppliers to object to a transfer where they agree with the new supplier that the domestic customer has been registered in error.
- 8.8. Introducing co-operative objections in the gas market will help to reduce the number of erroneous transfers and bring the gas and electricity rules into alignment.

Information for Customers

- 8.9. Ofgem believes that it is important for the customer to be made aware of the objection reason and has therefore included in the proposed modification of Standard Licence Condition 46 the requirement for the old supplier to inform the domestic customer that it has prevented the proposed transfer, the grounds for preventing the transfer and how the customer may dispute or resolve such grounds.
- 8.10. Ofgem considers this to be an appropriate safeguard against potential abuse of the objection process and will provide transparency for customers. This brings the gas market into alignment with the electricity market.

Debt Blocking

- 8.11. In December 2002 Ofgem published a consultation document “transfer objections: stronger rights for industrial and commercial customers⁶”. This document proposed that the rights of Industrial & Commercial (I&C) suppliers to object due to insufficient termination notice and debt as set out in Standard Licence Condition 30 of the Gas Suppliers Licence be amended to allow I&C suppliers to object only in the circumstances that had been agreed with the customer under the terms of their supply contract.

- 8.12. This proposed amendment to Standard Licence Condition 30 removes the reference to a domestic supplier's ability to object on grounds of debt. In anticipation of this modification taking effect the provisions relating to a supplier's ability to object on grounds of debt in the domestic market are proposed to be replicated in Standard Licence Condition 46. This does not change the ability of gas suppliers to raise objections in the domestic market on grounds of outstanding debt.
- 8.13. Ofgem has also published proposals for the introduction of arrangements to allow many domestic prepayment meter customers to transfer suppliers with their debts (Proposed debt assignment protocol for prepayment customers. A consultation document October 2002⁶). An amendment to the MRA has been made to support these arrangements in electricity. To give effect to these arrangements in gas, Ofgem will be publishing separately from this document a notice under section 23 (3) of the Gas Act 1986, proposing a modification to the Standard Licence Conditions.

Electricity

- 8.14. Ofgem considers that the arrangements governing the use of objections should as far as possible be aligned in both gas and electricity markets, so that the customer experience in both markets should be the same.
- 8.15. Equivalent changes have been proposed and agreed in the electricity market through amendments to the MRA and supporting documentation. On 1st June 2003 the MRA was modified to remove the right of domestic electricity suppliers to object based on lack of sufficient contractual termination notice.
- 8.16. On 28th August 2003 the MRA will be further amended to include the provision for the CRO process. This will include a definition of a CRO and the circumstances when a CRO can be made. It will include parallel requirements to the gas market to retaining evidence of the customer's request and providing information to the new supplier and the customer and also sets out the process to be adopted by the supplier when raising a CRO.

⁶ http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/1223_84transferobjections.pdf

⁷ http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/399_31oct02.pdf

Next Steps

- 8.17. Pursuant to Section 23 (3) of the Gas Act 1986, Ofgem will issue a notice to modify the Gas Suppliers Licence by amending Standard Licence Condition 46. This notice will be issued during August 2003 once the guidance on making modifications to the standard conditions of licences which is currently being consulted on has been issued by Ofgem.
- 8.18. The proposed modification to Standard Licence Condition 46 of the Gas Suppliers Licence is set out in Appendix 2.

Appendix 1 - List of respondents

Atlantic Electric and Gas Ltd

British Gas Trading Ltd

energywatch

Innogy plc

LE Group

National Grid Transco plc

Powergen Retail Ltd

Scottish and Southern Energy plc

Scottish Power Energy Retail Ltd

Appendix 2 – Licence modification

Condition 46. Termination of Contracts on Notice and Domestic Transfer Blocking

1. The licensee shall not enter into a domestic supply contract unless the domestic supply contract contains a term allowing the domestic customer to terminate the domestic supply contract at any time by-
 - a) giving to the licensee valid notice of termination; and
 - b) subject to paragraphs 5 and 6, paying to the licensee on demand a termination fee.
2. A notice of termination is valid where it is given at least 28 days in advance of the date on which it is to take effect and where, not later than that date, the requirement of paragraph 3 is satisfied.
3. The requirement of this paragraph is that either-
 - a) another gas supplier commences a supply of gas to the premises; or
 - b) the premises are disconnected or the supply of gas there is cut off because the domestic customer at those premises has ceased to require a supply.
4. Each domestic supply contract shall provide that a notice of termination which is not valid shall not be effective to terminate such domestic supply contract.
5. A termination fee shall not be demanded of a domestic customer where-
 - a) the domestic supply contract was terminated under any provision of standard condition 47 (Termination of Contracts in Specified Circumstances);

- b) the domestic supply contract was one of indefinite length, and was terminated other than during a fixed term period;
 - c) the licensee notified the domestic customer, under paragraph 6 of standard condition 44 (Notification of Terms), of a unilateral variation of the domestic supply contract and the domestic customer gave notice of termination in accordance with paragraph 7 of that condition; or
 - d) the domestic supply contract was one to which paragraph 3 of standard condition 47 (Termination of Contracts in Specified Circumstances) applied and the licensee did not, before entering into it, take all reasonable steps to draw the attention of the customer to the effect of the term set out at that paragraph.
6. Where a termination fee is payable, it shall be of an amount not greater than that which the licensee may in all the circumstances reasonably require.
7. Standard condition 30 (Debt Blocking) shall not apply in relation to the supply of domestic customers.
8. Notwithstanding paragraphs 1 and 2 of this standard condition the licensee shall not procure or permit the relevant shipper, in pursuance of any contract with that shipper, or otherwise request it, to prevent a proposed supplier transfer in relation to any premises at which the licensee supplies gas to a domestic customer other than in the following circumstances –
- a) for so long as the customer fails to pay charges for the supply of gas to those premises or any premises previously owned or occupied by him in respect of which such charges are payable which -
 - (i) are due to the licensee and have been demanded in writing; and
 - (ii) have remained unpaid for 28 days after the making of the demand; or

- b) the proposed new supplier who has initiated the proposed supplier transfer has agreed with the licensee that the proposed supplier transfer has been initiated in error; or
 - c) the customer states not to have entered into a contract with the proposed new supplier and has requested the licensee to prevent the proposed supplier transfer from taking place.
9. Where any of the circumstances referred to in paragraph 8 of this standard condition apply and the licensee makes a request to its shipper to prevent a proposed supplier transfer, the licensee shall at the same time as making that request to its shipper, send notification to the customer that it has made a request to prevent the proposed supplier transfer, the grounds for the request and how the customer may dispute or resolve such grounds.
10. Where the circumstances referred to in paragraph 8 (c) of this standard condition apply and the licensee has agreed to prevent a proposed supplier transfer at the request of a customer, the licensee shall –
- a) keep evidence of the customer’s request and reasons for the request for at least 12 months, and
 - b) at the same time as making the request to its shipper to prevent the proposed supplier transfer, inform the proposed new supplier that the objection has been raised at the customer’s request and of the reason given by the customer.