



Atlantic Electric and Gas

Annette Lovell
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Ofgem
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Dear Annette,

**THE REGULATION OF GAS AND ELECTRICITY SALES & MARKETING:
A REVIEW OF STANDARD LICENCE CONDITION 48.**

Atlantic welcomes Ofgem's review of the current Marketing Licence Condition. Customers need to have their confidence in the competitive energy market renewed if it is to work effectively and this review could go some way to achieving that.

A robust competitive energy market is not yet established in the UK. The competition that does exist is still fragile and requires careful nurturing if it is not to be extinguished. Customers need to have confidence in the workings of the competitive market if they are to become engaged with it and this confidence can, in part, be achieved by Ofgem's rigorous regulation of the market.

However, gross profit margins for all (but, in particular, non-incumbent) gas and electricity suppliers are already very thin. Ofgem needs to be extremely careful, therefore, that any review of the Marketing Licence Condition does not simply impose additional costs on suppliers, without achieving the additional confidence in the market that is so crucial to its continued existence. Increased acquisition costs will act as a strong disincentive to suppliers that are active in the market place. The result of this will be that incumbents will seek to consolidate their customer base by focussing on retention strategies and new entrants will not enter the market. Ultimately, competition will stall. It is, therefore, critical that Ofgem appreciates the potential risks associated with its review of this Condition.

Atlantic believes that all companies should be allowed to decide for themselves how they should best target their resources in order to achieve

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compliance with their Licence obligations. Any review of the Licence condition must not result in a new set of obligations that are overly-prescriptive. All suppliers should be allowed to find their own ways of ensuring compliance that best suits their own business models.

We cannot stress enough that the Marketing Licence Condition must be drafted so as to cover all “win-back” and “save” activity. Atlantic has consistently argued that this activity currently appears to be outside the scope of the Condition. It has, therefore, been very useful to have had the position clarified by the Consultation Document and this really should be made explicit within the modified Condition. Sales activity has recently been under great scrutiny, and rightly so. However, the sometimes dubious practices carried out in the name of “win-back activity” appear to have largely been ignored. This cannot be allowed to continue if consumers are to have full and transparent information before them when deciding on a supplier.

Finally, Atlantic believes that, following the review, the Marketing Licence Condition should be extended to protect SME customers. We also believe that a debate as to how vulnerable customers could be more explicitly protected by the Condition would be a useful one for the industry to have.

I trust that you will find these comments useful. Please contact me if you would like to discuss anything further.

Yours sincerely,

Siobhan O’Loughlin
Regulation Officer