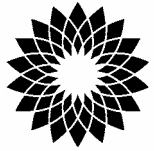




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17 October 2003

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Dear Annette,

Making markets work for consumers
The regulation of gas and electricity sales and marketing: a review of standard licence condition 48 – August 2003

Thank you for the opportunity to comment on this consultation document. BP's response is not confidential and may be placed in the Ofgem library and on the website.

As an I&C-only gas supplier, BP would not normally respond to a consultation regarding a standard licence condition applicable only to domestic suppliers. However, we discovered that contained within this document is an invitation for views on whether the scope of the existing licence condition should be extended into the I&C market (section 7.7). BP's response is specifically in relation to this aspect of the consultation, and we suggest that in future it would be helpful if Ofgem could indicate in their press release where the scope of consultations extends beyond the area indicated by the title of the document.

BP does not support the extension of SLC 48 into the I&C market. We do not believe that the key findings of the research relate to I&C consumers and note Ofgem's comments that complaints about direct selling are falling, and that "the purpose of this paper is not to propose a more obtrusive licence condition".

In the I&C market contracts are normally agreed via negotiation or a tender process, and I&C consumers generally enter into these arrangements as fully informed parties who are very much aware of their own requirements.

We note the comment that recent feedback from some I&C consumers suggests that they can also be subject to inappropriate selling activity by suppliers, particularly those small businesses without routine access to advice or specialist knowledge. We would be interested in obtaining a better definition of these types of consumers and the numbers involved before considering any blanket extension of this licence condition. It is also important to compare any potential benefits against the costs involved, and a Regulatory Impact Assessment specific to this element of the proposal should be carried out before any decision is taken.

Some of our concerns are;

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- Identification of numbers and types of “small business” I&C consumers who have expressed concern, and the nature of their experience,
- Potential for removal of alignment with other markets regarding the level of protection for such consumers. What would be the justification of treating I&C gas consumers differently from consumers of other products?
- The additional costs to suppliers of introducing additional protection, processes, compliance monitoring and reporting, which would inevitably be passed on to I&C consumers, where no benefit has been demonstrated,
- The impact of timescales for the transfer process. We suggest that most I&C consumers would be more inconvenienced by delays in the transfer process than they would appreciate additional layers of “protection” that in most cases would be unnecessary.

In general terms we are concerned that some recent events and projects fail to recognise the differences between domestic and I&C consumers and markets. One such example is the Customer Transfer Programme, created following the joint Ofgem and energywatch summit meeting in June 2003. We particularly urge that the industry does not try to implement broad “one size fits all” solutions to areas of the industry that are working well. Whilst we would not claim that transfers in the I&C gas market are perfect all the time, it would appear that most of the problems occur in the domestic and/or electricity markets. Ofgem should ensure that any proposed solutions are targeted at those areas that fail to deliver, and that others areas are not adversely impacted.

In conclusion, BP does not support the extension of SLC 48 into the I&C market.

Please do not hesitate to contact me if you would like to discuss any aspect of this response.

Yours sincerely,

Beverly Ord
Regulatory Affairs