



**RESPONSE TO OFGEM CONSULTATION –
TESTING DOMESTIC CONSUMER TAKE-UP OF ENERGY SERVICES:
TRIAL SUSPENSION OF ‘28 DAY RULE’ – JANUARY 2004**

INTRODUCTION

SBGI, the trade body representing the onshore UK gas industry, welcomes the opportunity to comment on this consultation document. SBGI established a new membership section in 2001 to provide a forum for all companies with an interest in microCHP, including energy suppliers, who have a particular interest in the proposed trial to suspend the ‘28-day rule’ and who may wish to take advantage of the trial to offer energy service packages including some form of microCHP leasing.

RESPONSE

SBGI is very supportive of the trial. The removal of the ‘28-day rule’ should encourage innovation particularly in the bundling of energy services, enabling consumers to choose a longer energy supply contract in return for energy efficient products and services from their supplier. However, we are concerned about the number of conditions proposed, which we strongly believe may diminish any possibility of the trial succeeding.

The following specific issues are commented upon:

- *Price certainty - the price for the energy supply must be fixed, capped or indexed over the period of the contract.*

We are supportive of the method of indexation proposed i.e., the DTI’s retail energy index but we believe the other options (fixed prices and capped prices) should be kept open.

- *A written quote must be provided, including a number of specified items of information.*

A written quote would seem to provide a sensible method of ensuring the customer has been presented with accurate and relevant information, and that an audit trail exists to guard against mis-selling.

- *Provision of an independent second opinion with no up front cost.*

An independent second opinion may result in unnecessary bureaucracy and prohibitively high costs. A method that is more likely to ensure customer protection, and be simpler for customers, suppliers and Ofgem should be developed, e.g., a random audit of surveys, quotes and contracts.

- *The package must include the installation of energy efficiency measures which will reduce the household's estimated energy demand by at least 15%.*

The Energy Services Working Group, referred to in the consultation document, proposed that the energy saving threshold should be set at between 10% and 15%. We acknowledge the dangers of setting the threshold too low but we believe the proposed figure of 15% is too high.

Given the significant potential contribution to energy saving which microCHP offers, we suggest the assessment for determining energy saving should be based on primary energy consumption, and not simply on a reduction in energy demanded from the grid, and on that basis we would recommend a threshold of around 10%.

With regard to 'cherry picking' we believe that customers will be best served if there is a wide choice of different energy services packages, not by all possible measures being included in every package which a high threshold might encourage.

- *Ofgem invites comments on its proposals for a 4%/50,000 customer limit, and for a two-year trial.*

The trial size of 4%/50,000 customer limit would appear to be sensible. As far as the two-year period is concerned, whilst there needs to be an end date we would prefer an ongoing assessment of the trial which, if successful, would allow a seamless transition to a permanent state.