



Mr Iain Osborne
Director of Consumer Markets
OFGEM
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1st October 2004

Dear Mr Osborne,

BGT Appeal against MCP 144

Firstly, we fully agree with the submission made by OPUS and believe MCP 144 should stand.

I would like to make the following comments against the submissions made by the various parties.

BGT and some other Suppliers use Deemed Contracts as a remedy for any dispute in an underlying contract. Thus they have a much greater proportion of customers on deemed contracts than those who do not pursue this policy. If MCP 144 were overturned customers who have a legitimate dispute with a Supplier would be held to ransom at deemed rates and unable to leave. There would be little incentive on a Supplier to resolve the dispute as normally Deemed rates are higher than underlying contract rates.

There is an underlying presumption that deemed contract debt is a significant issue and that the only recourse is to hold the customer to ransom, this is not true. In our experience deemed contract bad debt is lower than normal contract bad debt.

Customers do not intentionally end up on deemed contracts. A supplier should make every effort to prevent customers being on deemed contracts and to resolve any contract issues, such as renewals in the normal course of events. To get added security of customer retention when they have failed to exercise normal commercial prudence seems unfair, as it restricts access by new entrants to the market.

BGT cite that customers avoid paying bills by moving to another Supplier. They do not offer any supporting evidence of this.

Bad debts are a natural function of any industry and normal commercial practices of seeking security and prompt payment should be used. There is no evidence from BGT that the problem cannot be managed by conventional means.

BGT cite that Customer Requested Objections cannot be upheld. In our experience Customer requested objections under circumstances of deemed contracts are usually as a result of the outgoing supplier being prompted to do something about the customer on deemed rates rather than lose him. Frequently customers accept a proposal from a new Supplier, the outgoing supplier objects, contacts the customer and either matches or offers a slightly lower price. They then persuade the customer to object. This directly frustrates new entrant competition.

BGT cite that they would be disadvantaged because they have a larger proportion of Deemed contracts than smaller suppliers. Why is this so. Why are they not managing it down to lower levels, or is this as a result of a deliberate policy? It is not in the customers interests to be on Deemed Contracts so why should the Supplier not be fully incentivised to get them off deemed contracts.

I trust this is useful in assessing the appeal.

Regards

Keith Munday
Commercial Director