



Joanne Taylor
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Dear Ms Taylor

Consultation response: Consultation regarding transfer objections under deemed contracts for non-domestic customers

Thank you for the opportunity to respond to this consultation on transfer objections under deemed contracts as applicable to non-domestic customers, as set out in your letter dated 3 September 2004.

Energywatch, is responding separately to the related consultation on BGT's appeal regarding MRA change proposal MCP144, which seeks to clarify a supplier's right to object where non-domestic customers on a deemed contract wish to transfer their electricity supply. Energywatch **opposes** the appeal.

Energywatch is pleased to provide the following comments, which we believe to be relevant to the issues raised by this consultation, and which, from our perspective, would ensure that non-domestic customers on a deemed contract, and seeking to transfer to another supplier, are not unduly disadvantaged:

- we believe that a supplier should not be able to object to a non-domestic customer on a deemed contract switching supplier **under any circumstances**. It is a customer's right to switch under the competitive arrangements introduced into the gas and electricity markets. A supplier is free to negotiate a supply contract with a non-domestic customer and specify the terms under which objections may be raised to prevent that customer transferring to another supplier, including where that customer has outstanding debt. It is unnecessary to introduce a similar right to object into deemed

contract arrangements as these customers are typically paying a premium compared to customers who have switched to negotiated contracts;

- the commercial rationale for hampering legitimate switching activity by non-domestic customers on deemed contracts is difficult to understand. Non-domestic customers with genuine debt problems may well be identified through credit checks by new suppliers, who would not then offer a supply contract on favourable competitive terms, if at all. Under these circumstances, it must be assumed that there is a general intent on the part of those suppliers, supporting the right to object, to prevent switching, and not for genuine reasons of debt recovery;
- we note that, according to Ofgem's 2003 non-domestic market review, 55% of non-half hourly, and 38% of half-hourly, customers have never switched supplier. This tends to suggest that, even where non-domestic customers have negotiated contracts with suppliers, there is a stringent enforcement by suppliers of the terms under which they object to those customers switching. If the same right is extended to deemed contracts, the ability to switch will be compromised further;
- we do not agree that objections to customer transfers should be permitted in defined circumstances specified by regulation. This course of action would create a protracted and complex negotiation involving the parties, Ofgem and Energywatch, followed by a similar approach to implementation. Our view is that only a proper commercial negotiation of a supply contract between the customer and supplier should give rise to terms under which objections to switching may be raised; and
- we strongly support the **uniform application** of the principle that objections to customer switching by non-domestic customers on deemed contracts should not be permitted **across the gas and electricity supply markets**. We are concerned that if an option along the lines of BGT's appeal against MCP144 was approved for the electricity market, there would be a push by some suppliers to align gas supply terms accordingly. We would consider this to create the reverse outcome of what would offer best protection to non-domestic customers from supplier objections.

I hope that these views are reflected properly in your consultation process, and would be pleased to discuss them further with you.

Lesley Davies

Lesley Davies
Policy and Research