

Head Office  
Inveralmond House  
200 Dunkeld Road  
Perth  
PH1 3AQ

**Consultation Response**

Ms Joanna Taylor  
Project Manager  
Ofgem  
9 Millbank  
London  
SW1P 3GE

Telephone: 01738 456400  
Facsimile: 01738 456415  
email:

Our Reference:  
Your Reference:

Date: 24/9/04

Dear Jo,

**Consultation Regarding Transfer Objections Under Deemed Contracts for Non-Domestic Customers**

Thank you for your recent letter which asked for views on whether suppliers in the non-domestic market, in both gas and electricity, should be permitted to object to customers switching supplier where they are supplied under deemed contracts.

We believe that objections should not be permitted in any circumstances where a customer is being supplied under a deemed contract and we set out our reasons for this below.

A key premise of effective competition is customer choice. The ability to exercise this choice allows customers to negotiate with suppliers to ensure that the contract best fits their needs, for example through better management of multi-site contracts and the prevention of erroneous transfers while achieving the best possible price available. A supplier's right to raise objections should therefore be expressly agreed in the supply contract, rather than by licence, industry agreement or indeed "deemed" terms and conditions.

If this is not the case, the ability to object to customers on deemed contracts would result in a significant proportion of customers effectively being locked in to deemed contracts and unable to enter into a contract with the supplier of their choice. This would not be in the interests of customers, particularly given the higher charges generally levied under deemed contracts, or indeed competition in general. The provisions of deemed contracts have only

ever been intended to act as a temporary measure to enable supply until the customer enters into a specific contract with a supplier. The introduction of a right to object to customers under deemed contracts would completely change the purpose and effect of deemed contracts. It would also weaken the incentive on suppliers to negotiate specific terms and conditions with the customer.

Against this background, therefore, we would be firmly opposed to objections being permitted in any circumstances where a customer is being supplied under a deemed contract.

I hope these comments are helpful. If you would like to discuss further, please call.

Yours sincerely,

Rob McDonald  
**Director of Regulation**