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**Non Domestic Supply Market Review : Consultation**

Response from Ian Dobson CIPS Energy Committee.

I would like to commence by congratulating Ofgem for their recent programme of informed seminars that explored the current status of the energy market during the winter of 2005-6. These events have proved useful in exploring various aspects of the market and in particular have highlighted that there is apparently a lack of surplus gas available for the UK market. Alternatively those Suppliers that do have gas appear to be hanging onto it. We also believe that the information stream has improved greatly over the last 6 months.

We believe that there is still a need for Ofgem to review the current market even though their last review in 2003 found little at fault. The market has changed since your last review and UK has become a net importer of gas. We agree totally with Ofgem's view that there is not transparency in mainland Europe, and we welcome any inroads into this area that Ofgem can make. The significant cost differential between the hub at Zeebrugge and the surrounding area is certainly worth investigating.

There is a concern that in the UK Market for gas, very small quantities of gas are traded and yet these trades set the market price. There has been a significant trend towards customers taking contracts on a day ahead or month ahead basis that has been actively encouraged by suppliers, since it passes the risk element onto the customer, and this type of contract is at the mercy of the spot market – which we still believe is “managed”.

When out to tender for a fixed contract, as some of our members do, they have found limited replies – despite putting effort into the information contained in the tender. We accept that some suppliers are only interested in certain types of sites – some lean towards multi site and others look only at large sites, but we would expect more than 3 replies – and sometimes not as many as this unless you chase them - and the prices are held often for only 2 hours. Since not all the suppliers reply at the same time, it means that there is not competition. If the buyer insists upon a longer time frame, then the price is linked to the spot price and again all the suppliers do the same so there is no differential. In these circumstances invariably the customer retains the incumbent supplier even though the Transfer System appears to work much better than in the past.

As far as service is concerned, Billing is the major area for complaint. Too often bills are estimated – and generally substantially over the actual reading - and the bills are not consistent between suppliers, which makes it confusing for the layman to understand. We thought that the suppliers had agreed a code of practice!

I had a personal experience of a small primary school that received a rebate of £3500 when I sent in an actual read from the gas meter. Their normal annual spend on gas is about £1500. How many other schools are in the same situation?

During 2005 many SME's have been paying higher rates for electricity and gas than the domestic customer. This is a substantial move from the status when the market actually was competitive and suppliers were willing to shave their margin to get the business. This just does not happen today.

Perhaps it would be useful to ask why certain electricity generating stations have been selling their long term low price gas contracts for profit and buying fuel for generation on the spot market, instead of generating lower priced electricity.

It is interesting that some of the major suppliers send out their standard contract for the customers' signature but when returned to the supplier it is not then signed and returned to the customer. Often the customer does not have a fully signed copy of the contract. Evidently it is too time-consuming to sign and re-send!

We believe that Ofgem should review all market segments since it would be unfair to concentrate only on one area – unless it was carried out in a phased manner by looking first at the large user market and then moving on to the SME's in say six months time.

It appears that the electricity market is currently following the gas market and so perhaps a review of the gas market only at this time would suffice.

In terms of competitiveness indicators Ofgem should be looking for the ability for different suppliers to have different prices – at one time this was the norm. They used to buy forward contracts and then go out and sell the volume to match that quantity but now it appears that suppliers only buy on the spot market to match contracts let. It appears that all the suppliers buy at the same time now! There is no differential.

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CIPS Energy Committee