

OFGEM: Non-domestic supply market review: Consultation

Response from:

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Do you consider that there is sufficient justification for OFGEM to conduct a review of the non-domestic gas and electricity market?

YES

Our view is that in the provision of services such as electronic billing and energy consumption data some suppliers are ensuring that format and procedures are tailored to their contracts. This means that to change suppliers users have to significantly alter their systems and procedures. The effective cost of switching suppliers for users is higher than it should be and this is a restriction on competition.

Our view is that if the industry used standard electronic billing format not only would the whole process be more transparent but also competition would be against the actual energy price and value added services provided by suppliers and would remove a significant barrier.

Given the limited range of suppliers, the ability of even large organisations to influence the extent of the services offered and the terms of trading are restricted. Encouragement of more suppliers would help reduce the effect of this problem.

Which indicators of competitiveness should be the focus of this review and why?

Whilst the core indicator needs to be the base price offered this should be considered in two themes:

- a) Is the price variation over short periods justified and is this putting undue commercial pressure on users to confirm contracts.
- b) Benchmark the scope cost of billing and data services offered. Are they competitive and is there sufficient scope being offered to users to enable them to complete effective energy conservation?

Should the review cover all market segments or focus upon a particular sub-set of these and why?

We advocate that the price review be across the whole market. However, the issues may be different in different areas e.g.

- a) very large national and energy intensive users – utility price competitiveness is dominant.
- b) SMEs and large companies [but not energy intensive] – do they really have any purchasing choice and can they effectively negotiate both the terms of contracts and the scope of services they require?

Please note:

Because of the problems of billing and data provision, ESTA has helped to establish an Action Group for the non-domestic sector. This is attended by major private and public organisations and includes Energywatch.

Group members are very familiar with the problems associated with competitiveness and provision of billing services/meter data. Recognising that anecdotal evidence is not enough, this group is currently engaged in gathering information from major users [both large sites and users with many sites nationally] in order to present a collated and methodical picture of the issues involved in billing and meter data in the non-domestic sector and its impact in restricting competitiveness.

We intend to present this factual data to OFGEM in the near future via Energywatch and would be pleased to provide information as it becomes available in support of a price review.