Rachel Fletcher
Consumer Markets
Ofgem
9 Millbank
London SW1P 3GE

Dear Rachel,

Non-domestic supply market review: Consultation

Re your invitation for comments issued on 11 November 05, thank you for the opportunity for Siemens Energy Services to contribute its views on the above topic.

Declaration of interest

Siemens Energy Services (SESL) is a competitive provider of a wide range of metering services to the utilities industry covering Asset Provision, Asset Maintenance (Meter Work) and Asset Management, Data Retrieval, Data Processing and Data Aggregation, Prepay, Revenue Protection and Debt Recovery. SESL is an independent competitor in that it is not owned by a utility company. SESL is wholly owned by Siemens PLC, its turnover in the UK is about £100m and its headquarters are in Nottingham.

SESL apologises for the late submission of this response but we hope that given the content, it will still be able to be considered in the context of Ofgem's next steps.

SESL is in favour of the proposition that Ofgem conduct a review of the non-domestic supply markets for gas and electricity. SESL believes that the scope of the review should include all "competition-enabling services", eg Metered Data Collection, which create the basis from which open competition can take place.

In particular, Ofgem may wish to consider the following:
1. Is cross-subsidy of Agent (DC, MO) Services with Supply Contracts acceptable?
2. Should Suppliers be permitted to hide or understate the economic price of Agent Services? (How can purchasers make like-for-like comparisons?)
3. Should Suppliers be permitted to tie-in Agency Services with Supply contracts. Should they be permitted to do so without explaining this to consumers?
4. Should Suppliers be permitted to enforce more onerous terms on independent Agents than they do on their in-house Agents?

Observations of market practice (numbers in brackets refer to practices 1 – 4 above)

- Suppliers Introduction of Enabling contracts with high Liquidated Damages associated to enhanced service levels (Mop/DC) over and above market requirement. (4)
- These enhanced service levels are imposed on independent agents but not necessarily In-house operations and unless agreed, Suppliers will not appoint irrespective of direct customer contract nominations. (4)
- Charges such as HHR & Site visits normally levied on the Supplier to be charged direct to customer via agent. This is not common practice but is a tactic to discourage the customer nominating another agent. (4)
- Low rate of Innovation – Suppliers not interested in systems which facilitate competition (3)
- Meter operation & Data Collection services are routinely bundled into supply contracts. (2)
- Customers not made aware of this and quite often has a term of 5 years although the supply contract is for a shorter period locking the customer into Mop/DC with the Supplier
- Introduction by Suppliers of pre-conditions demanding full indemnity against Agents in the event that Agent data is at variance with Supplier data, even if Agent data is correct. (4)
- A Supplier has refused permission to dial meters for one customer and insisted Agent signed the 'Terms of Agreement'. This is becoming common practice and is part of our current negotiation with Suppliers. (4)
- Sales proposition that customers must take DC from Suppliers DC default agent to guarantee data quality/quantity - Irrespective of customer nomination of accredited alternative. (3)
- We have customers who wish to sign up with us for DCS services but have been prevented from doing so because Supplier had "bundled" the DCS charge in with the supply charge and would not separate it out. It is our understanding that "Settlements" charges were supposed to be a separate line item on invoices specifically to aid comparison in a competitive environment.

All the above unacceptable practices are to the best of our knowledge occurring routinely in today's market. These provide the basis for our support for a full review.

Yours Faithfully,

Martin Pollock
Sales & Marketing Director