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Dear Rachel,

**Non-Domestic supply market review: consultation**

Thank you for the opportunity to comment on the above consultation in which you ask whether there is sufficient justification for Ofgem to conduct a review of the non-domestic gas and electricity supply markets. We have set out our comments below.

The non-domestic energy supply market is subject to vigorous competition with evidence of continued market entry, a range of competitive prices and significant customer switching activity. Against this background, we firmly believe that there is **not** sufficient justification for Ofgem to conduct a review of the non-domestic gas and electricity supply markets. Indeed, Ofgem's overriding conclusion from the last review (July 2003) was that the non-domestic supply markets are competitive and that there is no need for any further non-domestic market reviews.

Turning to the more specific points raised in the paper, it is stated that the most pressing concern raised by customer groups is the scale of retail price rises. Such price rises are the result of increasing wholesale prices and in particular the lack of liquidity in the wholesale gas market. As Ofgem are aware, the EC is currently investigating wholesale markets across Europe and will report on its findings soon.

In addition, some customer groups have raised concern about inadequate market response to their specific needs, such as billing, the provision of energy consumption data and customer service standards in general. One of the fundamental premises of competition is customer choice. In our view, therefore, customers who wish to improve the standard of service they receive can negotiate specific standards of service in their supply contract and/or can change supplier. Such an approach would ensure that those suppliers who do not offer an acceptable level of service would rapidly lose market share and, we would suggest, is a more appropriate approach in a competitive market than direct regulatory intervention.

In view of the above, we do not believe that there is any need for Ofgem to carry out a review of the non-domestic gas and electricity supply markets.

I hope you find our comments helpful, if you would like to discuss this further, please call.

Yours sincerely,

Rob McDonald  
**Director of Regulation**