Good Energy

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Dear Philip,

Modifying the arrangements for the use of objections in the non-domestic market

In response to Steve Smith's letter on the above, I have stated below Good Energy's position on objections in the non-domestic market.

Good Energy is a non-incumbent supplier, who, while primarily focused on the domestic market, does provide electricity supply to smaller businesses, primarily ethical companies of a similar ethos to our own.

While we support the right of customers to switch to the Supplier of their choice, we believe that the current practice of British Gas is bringing the market into disrepute is inhibiting competition.

As a small Supplier, when we sign a commitment to supply a medium to large business customer, we back-to-back this commitment by forward purchasing sufficient energy to meet this requirement. If the customer then breaches this agreement then we potentially committed to purchase excess energy which we then spill into the imbalance market. This is one of the reasons Good Energy avoids larger customers, as this is a business risk we do not want to face. While we cannot always avoid a customer withdrawing from an agreement, British Gas is effectively causing this to happen by not offering terms until the customer HAS signed another agreement. This has to be deliberate, as their position as incumbent Supplier, means they know the date the existing contract is up for renewal and could easily offer terms before the customer seeks out alternative offers.

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By using the objection process to retain the customer, British gas is also using a tool unavailable to others. That is, that if a customer signs an agreement with a Supplier, and British Gas as the old Supplier offers a better offer they can force themselves to be the new Supplier by objecting. However, if a 3rd Supplier was to offer better terms and attempted to register the Customer in the objection window, he would be locked out. Therefore the incumbent Supplier has a tool at its disposal to "knock out" the registration by the 1st Supplier, which is unavailable to any other Supplier.

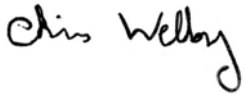
The spectre in Steve Smith's letter of Suppliers and Customer up and down the country ending up in court is real and genuine. This will be to the detriment of both Customers and in particular small Suppliers. As a result, it may become impossible for business customers to switch Suppliers at all without a great deal of hassle. Surely, easy switching is a must for effective competition.

The solution in our view is to ban objections on re-contracting. If the customer wishes to breach their contract with a Supplier by signing with ANY other supplier (not just the losing Supplier), then they can do so once the lock-out 5 day window is complete.

This will need to be embedded in the licence. The MRA is what it says, an agreement on how the process works. It is not a contract between Suppliers about how they trade customers, and as such is not really designed for enforcement, as its only penalty is to suspend a party, which is in effect a hanging penalty which would close a supply business. If it was enforced via licence, then an appropriate financial penalty could be levied by the authority.

I hope you find these comments helpful. If you wish to discuss further, please feel free to contact me.

Yours sincerely,



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