

Mr Philip Davies
Director, Retail Markets
Ofgem
9 Millbank
London SW1P 3GE

7 September 2007

Dear Philip

Modifying the arrangements for the use of objections in the non-domestic market for gas and electricity supply

I refer to your letter of 27 July 2007 and below is our response to the questions raised.

(a) Should suppliers use the objection window to obtain and rely on new rights to object

We support the principle that new objection rights should not be introduced following receipt of the loss notification. Furthermore, we strongly continue to believe that re-contracting should be permissible within the Objection Raising Period. The basis of such an objection will be the contract in place at the time of receipt of the loss notification. Re-contracting promotes competition and the pro-competitive effects are not offset by any anti-competitive effects.

We do not support the view that marketing activity should be restricted as this is not in customers' interests. Our view is consistent with your letter which states "It is our view that a rule that would prevent the existing supplier from marketing and re-contracting during the objection window would be impractical and difficult to enforce."

(b) Proposed licence drafting

The proposed gas and electricity licence drafting to be included in paragraph 14.2 (a) and (ii) is consistent with the ability to allow an objection to be raised, providing the right to do so existed at the time of receipt of the loss notification.

We accept that it is not necessary to further prescribe in the licence an exhaustive set of circumstances in which suppliers are permitted to object to a customer transfer, however we would urge Ofgem to provide guidance to the market, in particular, relating to the practice of re-contracting. Such guidance is necessary to reduce the scope for debate and dispute at a future date and ensures that the intentions of the objections window as laid out in your letter are delivered.

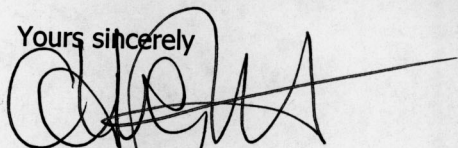
(c) Whether licence conditions should apply to deemed contracts as well as other contracts

Deemed customers by their very nature are neither fully visible nor committed to the incumbent supplier, are costly to maintain and present a substantial financial risk which in turn is smeared across the paying customer base. BGTL has a process to identify and move such customers off deemed

contracts. Notwithstanding our best efforts, these customers often abscond without paying their liabilities, resulting in costly enforcement action. The facility to object is a pragmatic solution for an inevitable problem and we seek the introduction of a new right to object.

Should you need any further information, please do not hesitate to contact me on 07789 570 445.

Yours sincerely

A handwritten signature in black ink, appearing to be 'Ceri Hughes', with a long horizontal line extending to the right.

Ceri Hughes
Senior Regulatory Manager