

Mr Stefan Bojanowski  
Retail Markets  
Ofgem  
9 Millbank  
London  
SW1P 3GE

26 May 2011

Dear Sirs,

**RE: The Retail Market Review**

Please find below the response from Garsington Energy in regard to the Retail Market Review.

Garsington Energy is the supply license held by Green Energy UK, an independent supplier which currently holds its customers and operates under the OXPO license. The company has grown steadily since its inception in 2001, only supplying 100% renewable or LEC qualifying electricity. We currently hold around 7,000 customers both domestic and commercial and we are also active in the small scale generation sector.

**Q1: Do stakeholders agree with our findings of the Review in relation to causes of persistent consumer harm and barriers to entry in the energy retail markets?**

Garsington Energy would agree in principle that complex tariff information, poor supplier conduct, sticky domestic customers, vertical integration and low liquidity are issues which have the potential to cause consumer harm or bar entry to the retail market. However the point that is made about similar pricing and hedging strategies we do not feel is pertinent. We work in a commodity market, therefore a similarity between player positions is unavoidable and we do not feel this aspect should be pursued.

**Q2: Do stakeholders consider that Ofgem should take action to reduce the complexity consumers face and enhance engagement with the energy market?**

We do believe that the energy market place could be made clearer to consumers, the proposal which Ofgem has made to standardise tariff structure is a good method for doing this. However it is the case that the major issue facing the switching market is inertia.

As a supplier automatically stays with the property there is no decision point for a domestic customer where they actively have to make a decision regarding their supplier. Therefore unless the

customer is given a very good reason to switch (predominantly poor supplier conduct) then they are likely to stay with the supplier at their property whether this is the incumbent or the result of a prior switch.

This is the issue which Ofgem should really address as tariff information can be made as clear as possible, however unless a decision point can be made then inertia will mean switching levels remain low.

**Q3: Do Stakeholders agree with our initial proposals for intervention to reduce the complexity consumers face and enhance engagement in the energy market?**

Garsington Energy feels that the stance which Ofgem has taken with the initial proposals made in the Retail Market Review consultation document in many cases fail to adequately take into account the negative consequences of such alterations.

We as a small supplier feel that there is room for new entrants and small suppliers in the industry through innovation and creativity. For example we offer two tariffs, one is 100% renewable, the other is 100% green (a mix of renewable and LEC qualifying CHP). We do not tie customers into contract and we do not penalise customers due to their choice of payment type. Preventing us from running one of our tariffs would endanger our business model and would prevent us from innovating by offering different products, thus cutting down on our appeal to end consumers.

Ofgem should also be extremely wary of forcing customers whose payment option is not direct debit onto higher tariffs than necessary. One of the main aims of Ofgem is to support vulnerable customers. Therefore forcing suppliers to change tariffs based on payment terms brings with it the very real risk of placing those who are least able to keep up to date with their utility costs on to higher tariffs and so exacerbating the debt problem. At a time when with the introduction of smart meters we will see use of remote disconnection, remote change to PPM and load limiting this is not an option which Ofgem should really be supporting.

We do support Ofgem's proposal to standardise tariff structure and the standardised element for non unit charges. This will enable customers to compare the offerings of different suppliers clearly and will cut down on the current confusion which is caused by primary and secondary units.

We also support the proposal to end auto rollovers for domestic contracts. This is a constant point of infuriation to domestic customers as they are preventing from switching even when they believe the contact they signed is complete.

**Q5: We are proposing to standardise evergreen contracts across suppliers. Do stakeholders agree with the proposed contents of the standardised charge?**

It is correct that transmission charges, distribution charges and some environmental and social charges must be included within the standing charge. We would also point out that charges for the provision of the meter operator and data collector should also be included. These are fixed fees which must be paid per MPAN for non unit related services.

**Q8: Do stakeholders consider that low electricity market liquidity constitutes a barrier to entry in the domestic retail supply market?**

Yes. Without liquidity and a healthy number of market participants, independent suppliers could become unable to acquire the wholesale products they need which enable them to offer consumers a viable alternative to the “Big 6”. As a consequence competition, and the check that this brings to the pricing policies of the “Big 6”, may falter.

**Q9: Do stakeholders consider that our two proposed interventions (the MA and the MMM) could improve the ability of the wholesale electricity market to meet independent participants’ needs, and will ultimately improve the likelihood of retail supply market entry?**

Yes, particularly the Mandatory Auction.

We consider that intervention is necessary, following a sustained period of decreasing liquidity that has created a vicious circle of further liquidity destruction. Mandatory auctions will provide the impetus needed to break out of this cycle and will hopefully attract new players and financial intermediaries to the market. The active participation of these players is vital in providing new supply entrants with access to wholesale energy.

**Q10: Subject to the results of our further wholesale market assessment, do stakeholders consider that both interventions could be necessary to meet the objectives stated in questions 8 and 9?**

Yes, but we would suggest some form of Cost Benefit Analysis is performed with regard to the MMM solution. If the volumes traded under this mechanism are very small it may be more appropriate to place an obligation on the VIs to offer reasonable market terms to new entrants rather than to prescribe and set up a trading mechanism for this nascent market.

**Question 11: Do stakeholders consider that there are other intervention options we should be developing?**

No, we consider that these are the most viable solutions.

**Q17: Do stakeholder agree that more needs to be done to improve consumer trust and the use of switching sites?**

Garsington Energy whole heatedly believes that switching sites add to the confusion and chaos of the switching market. The fact that information is given out which in monetary terms which bears little or no relevance to the amount of electricity being used on a particular site leads to mistrust in utility suppliers. We have a multitude of anecdotal evidence suggesting that switching sites inform customers that monthly direct debits will be very low until a meter reading is obtained by which time customers have built up debt and the direct debit is raised substantially.

We would question the ethics of switching sites recommending suppliers who are paying them the highest commission. This tilts the market hugely in favour of those suppliers who have the excess funds capable of paying large levels of commission to switching sites and quickly grabbing market share whilst tying consumers in to contracts.

Would it not be prudent for Ofgem to take a lead from the insurance market in this case and allow suppliers to opt out of being represented on switching sites? This would create another level of competition as well as preventing switching sites from misrepresenting those suppliers who do not pay them commission.

**Q20: In particular, would stakeholders welcome additional license conditions surrounding the objections procedure?**

We would support license conditions surrounding the objections procedure in both the domestic and commercial market place. We feel that increased levels of Ofgem monitoring and subsequent action if suppliers are found to be erroneously objecting to switching would end such activities. From the consultation document and from anecdotal evidence it is apparent that certain suppliers are objecting to switching with no grounds to do so in an attempt to frustrate the switching procedure.

**Q22: Do stakeholders agree with our position, at this stage, not to extend our proposals on tariff simplification into the non-domestic sector?**

This would be a much more complex objective and certainly could not be rolled out into the half hourly and pseudo half hourly market place as this would cramp innovation and creativity. There is an argument for rolling this policy out however into the SME market as it is these businesses which often find it hardest to decipher complex tariff information on short timescales.

If you have any queries regarding the above please feel free to contact me.

Kind Regards,

Chris Greer  
**Industry Policy Advisor**