

Louise van Rensburg
Ofgem
9 Millbank,
London,
SW1P 3GE

Ref: The Retail Market Review: Non-domestic Proposals Consultation

15 February 2012

Dear Ms Van Rensburg

I am writing to you on behalf of The Chartered Institute of Purchasing & Supply (CIPS), the world's largest procurement and supply professional organisation. It is the worldwide centre of excellence on purchasing and supply management issues. CIPS has over 66,000 members in 150 different countries, including senior business people, high-ranking civil servants and leading academics.

Following the publication of the Review of the Retail Market Non-Domestic consultation, please find attached the response from the CIPS Energy Special Knowledge Group (SKG) to the questions posed. Martin Rawlings, Chair of the CIPS Energy SKG has compiled this response following consultation with members of the SKG. CIPS and the Energy SKG welcome a review of the retail markets for electricity and gas and we look forward to working with Ofgem in the future.

Please do not hesitate to get in touch with us if you have any questions regarding the points raised.

Kind regards

Emma Scott

Emma Scott MCIPS
Representation Manager
The Chartered Institute of Purchasing & Supply
Tel: +44(0)1780 761559 Fax: +44(0)1780 751610
Mob: +44(0)7824 355491
emma.scott@cips.org

CIPS Group

Easton House, Easton on the Hill
Stamford, Lincolnshire, PE9 3NZ
United Kingdom
T +44 (0)1780 756777
F +44 (0)1780 751610
E info@cips.org

CIPS Australasia

8/520 Collins Street
Melbourne, Victoria 3000
Australia
T 1300 765 142/+61 3 9629 6000
F 1300 765 143/+61 3 9620 5488
E info@cipsa.com.au

CIPS Southern Africa

Ground floor, Building B
48 Sovereign Drive
Route 21 Corporate Park
Irene X30, Centurion
Pretoria, South Africa
T +27 12 345 6177
F +27 12 345 3309
E info@ciips.org.za

CIPS Middle East & North Africa

Office 1703, The Fairmont Hotel
Sheikh Zayed Road
PO Box 49042
Dubai, United Arab Emirates
T +971 (0)4 327 7348
F +971 (0)4 332 5541
E mena.enquiries@cips.org

The Retail Market Review: Non-domestic Proposals

Questions		Answers
Introduction		
Question 1:	Are there other key issues that we should be looking into in the non-domestic sector?	The lack of new suppliers.
Question 2:	What would stakeholders like to see on our website to help business customers and support a competitive supply market?	We cannot think of anything at this time.
Standard Licence Condition 7A: Protections for smaller businesses		
Question 3:	Do stakeholders agree with our proposals to extend the scope of SLC 7A to include a wider small business definition, and do you agree with our proposed definition?	Yes to both
Question 4:	Do stakeholders foresee significant costs or complications if we were to introduce our proposals? If so, please provide details and cost estimates.	We cannot foresee any cost implications
Question 5:	Do stakeholders agree with our estimates on the number of extra businesses covered by our proposed definition?	We agree with Ofgem's estimate of extra businesses covered by the proposed definition.
Question 6:	Do stakeholders agree that we should review termination procedures and our current position that allows automatic rollovers?	We agree that the termination procedures and Ofgem's current position of contract roll-overs should be reviewed.
Question 7:	Are there other clauses that stakeholders believe we should be reviewing, in light of our expanded definition proposal?	No comment

Customer transfer blocking - „Objections.		
Question 8:	Do stakeholders agree with the conclusions we have drawn in this chapter?	Yes. Objections provide important safeguard when used appropriately so should be retained but strengthen monitoring/powers of enforcement
Question 9:	Do stakeholders agree that we do not need to make changes to SLC 14 governing objections to supply transfer for non-domestic suppliers?	Yes the current objections procedure is acceptable.
Question 10:	Do stakeholders believe that we should publish our data relating to supplier objections on a regular basis?	Yes - this would be helpful from a "name and shame" perspective (if individual suppliers are identified) but would also serve to inform customers as to the standards of service prevalent in the industry and how their supplier is performing in that context - particularly significant when considering transfer to a new supplier. This would still be the case even if the suppliers were not identified in the data, as other licence obligations would require suppliers to provide accurate (i.e. not misleading) data in relation to their own performance
Question 11:	Are there other issues with the objections procedure, other than the obligations of the licence condition, which stakeholders consider need to be addressed?	It would be helpful to clarify the meaning of "debt" - in line with the provision for gas contracts entered into before January 2004 (i.e. debt outstanding >28 days, demand in writing AND where the debt is not disputed).
Question 12:	Do suppliers who have voluntarily sent data have views on whether the data we currently ask for on a monthly basis needs to change and why?	Not applicable
Third party intermediaries		
Question 13:	Do stakeholders agree that the introduction of a new supply licence condition focussed on sales activities is a suitable method to prevent harmful sales and marketing activities in the non-domestic sector?	This would be welcomed as a progressive step.
Question 14:	Do stakeholders agree that this licence condition is necessary if Ofgem decides not to proceed with its Standards of Conduct	Definitely yes.

	proposals?	
Question 15:	Do stakeholders consider the introduction of an accreditation scheme for TPI Codes of Practice will reduce harmful TPI activities across the whole market?	This would appear to be the most workable alternative to regulation. A code of practice (COP) acceptable to all that also has some material impact will be hard to achieve. The cost of compliance needs to be carefully considered – any costs that act as a barrier to entry or inhibit smaller brokers would have an undesirable distorting effect on the market
Question 16:	What do stakeholders consider to be key criteria for an accreditation scheme for TPI Codes of Practice?	<p>What should be in a COP?</p> <ul style="list-style-type: none"> • Clear disclosure of the mechanism by which brokers earn their fee for each customer. • An “open book” policy on disclosure of the level of fees on request. • A meaningful assurance that brokers charge the same commission irrespective of supplier choice. • A ban on misleading claims (eg “the service is free to the customer”). • A commitment to make a proper and fair price comparison of all offers from energy suppliers. • Mandatory disclosure of level of fees.
Question 17:	Do stakeholders believe it is necessary for TPIs to disclose their actual fee, or would making clear the fact that the customer is paying a fee for their services be sufficient?	This must form part of any COP/accreditation process introduced.
Standards of Conduct		
Question 18:	Do you consider the revised SOCs will help to achieve our objectives?	Yes
Question 19:	Do you agree that the SOCs should be in a licence condition and enforceable?	Yes
Question 20:	Do you agree the revised SOCs should apply to all interactions between suppliers and consumers?	Yes
Question 21:	Do you have information regarding potential costs this may impose on suppliers?	No

Question 22:	Do you think these proposals should apply to the whole non-domestic market, or only a sub-set of it, eg small businesses?	These proposals should be applied to the whole of the non-domestic market.
Question 23:	Given your answers to the questions above, do we still need the licence changes proposed elsewhere in this document?	Yes