

11 February 2012

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Dear Louise

Retail Market Review – Non Domestic Proposals

I am writing on behalf of the Major Energy Users' Council (MEUC) which is an independent consumer led body representing the interests of a large number of industrial, commercial, retail and public sector organisations and for which the use of electricity and gas is a significant factor in their operations' costs.

The Major Energy Users Council welcomes the RMR being carried out by Ofgem and this opportunity of providing customers' views on the proposals.

Addressing the questions asked in the document.

Chapter 1 Summary This chapter puts this document in context with wider RMR work and highlights the areas to be discussed. It also sets out that we will not, at this stage, be proposing to extend our domestic tariff proposals into the non-domestic sector. But we are doing more to help business customers get the best out of the market.

Question 1: Are there other key issues that we should be looking into in the non-domestic sector? ***No, I believe you have caught them with, back billing; roll over contracts, deemed rates, deemed contracts and transfer objections. Perhaps an industry wide Standard Contract for this sector of the market would help consumers.***

Question 2: What would stakeholders like to see on our website to help business customers and support a competitive supply market? ***For most consumers in this sector of the market energy is a small percentage of their total cost. For example using the limits you suggest of £10million turnover and 10,000 therms the cost of gas will be less than 0.1% of the total, with electricity being not much more. In such circumstances the owner of a business would look for a "one stop shop" that would give advice on which suppliers would give the best service and price. Perhaps a five star system or something similar would help. I do realise that this is perhaps beyond the remit of Ofgem. If a standard contract is not feasible for all suppliers' then a "warning" section on what to look out for in contracts would be of assistance, particularly on roll over clauses, price escalators, notice periods etc.***

Chapter 2 Summary Our March consultation stated our intention to consider

extending the reach of our protections for micro businesses. We present below our proposal to extend these protections to a new small business definition based on industry processes and definitions used by the European Commission. This will improve small businesses' visibility and understanding of their contracts. Once we have an agreed coverage for this SLC, we will review whether or not automatic rollovers should be allowed.

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 extending the scope and no to the definition. As previously pointed out the energy limits proposed are tiny compared with that of turnover. Using gas as my example, Ofgem have proposed to increase the micro business definition of turnover and employees by a factor of five, yet for gas have only increased by less than one and a half from 200,000 kWh to 293,000 kWh. I would therefore propose the gas limit should be that widely recognized across the industry, that is 732,500 kWh (25,000 therms) this would only be 0.25% of turnover. For electricity I would suggest the non-half hourly meter limit as this would still be only 0.35% of the maximum turnover. On metering both the limits I suggest are due to have either AMR or Smart meters fitted in a little over 2 years.***

Question 4: Do stakeholders foresee significant costs or complications if we were to introduce our proposals? If so, please provide details and cost estimates. ***I do not see any significant cost; in fact a responsible supplier would already be conforming.***

Question 5: Do stakeholders agree with our estimates on the number of extra businesses covered by our proposed definition? ***Yes, however my response to question 3 may increase this number.***

Question 6: Do stakeholders agree that we should review termination procedures and our current position that allows automatic rollovers? ***Yes.***

Question 7: Are there other clauses that stakeholders believe we should be reviewing, in light of our expanded definition proposal? ***No.***

Chapter 3 Summary Our previous consultation in March expressed our concern that frequent use of the objections procedure by some suppliers may frustrate businesses that are trying to switch supplier. We have now conducted further research into this area. This chapter summarizes our main findings and our proposals to improve the current situation.

Question 8: Do stakeholders agree with the conclusions we have drawn in this chapter? ***Yes.***

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***

Question 10: Do stakeholders believe that we should publish our data relating to supplier objections on a regular basis? ***Yes, for gas this was a system first***

introduced by Transco with the data issued on a monthly basis; I am not sure why it was discontinued, perhaps it was during the setting up of the joint office at the time of distribution network sales. This is information that could be added to the small user website that you propose.

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? **No.**

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?

Chapter 4 Summary Our March consultation detailed our considerations for improving the sales and marketing activities within the non-domestic market. Here we present a three-pronged approach to increase the transparency of non-domestic sales activities, including by TPIs, whilst better addressing miss-selling.

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? **Yes**

Question 14: Do stakeholders agree that this licence condition is necessary if Ofgem decides not to precede with its Standards of Conduct proposals? **Yes**

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? **Yes providing a suitable monitoring of compliance is put in place.**

Question 16: What do stakeholders consider to be key criteria for an accreditation scheme for TPI Codes of Practice? ***I believe you have captured the need for the regulation of TPIs especially their role with suppliers' and if the TPIs deal with a wide enough range of suppliers' to ensure competition. I share concern that various bodies have come up with their own CoPs to ward off the threat of you obtaining additional powers. I fully support Ofgem being given these powers.***

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? ***Total transparency especially the cost to the consumer and any revenue received from the supplier, anything less will leave an area for dispute in the consumer/TPI relationship.***

Chapter 5 Summary Feedback from consumers concerning their views of energy supplier activity, current supplier practices and the impact these have on consumer engagement has caused us to reconsider the ability of our current Standards of Conduct (SOCs) to promote best practice and transparency. We propose to introduce a revised set of SOC's to make clear what standards are expected of suppliers. We propose that the SOC's should appear in a new licence condition and be enforceable.

Question 18: Do you consider the revised SOC's will help to achieve our objectives?

Yes

Question 19: Do you agree that the SOCs should be in a licence condition and enforceable? ***Very much so.***

Question 20: Do you agree the revised SOCs should apply to all interactions between suppliers and consumers? **Yes**

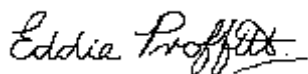
Question 21: Do you have information regarding potential costs this may impose on suppliers? ***Again I would argue that a responsible supplier will already be conforming and therefore will not have to face any additional costs. Those that are not complying ought to be made to do so and the cost incurred is part of being a responsible supplier.***

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? ***The issue I see here is one of why there should be a difference. The MEUC has a number of members who have individual premises that would fall in the category of a small business but because they are owned by a larger parent company they will not qualify. I am thinking of licenced premises, food retailers etc. Therefore I would tend to argue that they should apply to the whole of the non-domestic market.***

Question 22: Given your answers to the questions above, do we still need the licence changes proposed elsewhere in this document? **Yes**

This submission is not confidential.

Yours truly,



Eddie Proffitt, Gas Group Chairman