

17 April 2012,

Jemma Baker,
Economist,
Ofgem,
9 Millbank,
London,
SW1P 3GE



Dear Jemma,

**Response to Consultation on the Undue Discrimination Prohibition Standard
Licence Condition**

Thank you for providing an opportunity to respond to this consultation. This response represents our own views only, but it reflects sentiments of our discussions with independent suppliers through the Energy Supplier Forum¹.

We provide responses to the questions posed below.

Yours sincerely,

A handwritten signature in blue ink that reads "Nigel Cornwall".

Nigel Cornwall

Managing Director

Cornwall Energy

¹ <http://www.es-net.org.uk/>

1. We welcome views from stakeholders on our “minded to” proposals and any other considerations in this consultation.

Please see our comments below.

2. We welcome comments from stakeholders on whether it would be appropriate to review the 50,000 customer threshold as part of a separate process, in the event that we decided to reinsert SLC 25A for a further period of time.

In the event that the regulator decided to reinsert the SLC 25A we argue that it would be appropriate to review the 50,000 customer threshold to take account of other policy and regulatory carve outs designed to remove barriers to entry and growth.

In the November 2011 *Green Deal and Energy Company Obligation (ECO) Consultation* DECC said:

“The government is committed to designing any future frameworks to minimise disproportionate burdens on small suppliers and create consistency across the marketplace. Energy efficiency programmes can place significant fixed costs (e.g. administration and the costs of new systems) on suppliers. These costs weigh more heavily on small suppliers because they are unable to spread the fixed costs of compliance over a large customer base, and as such they cannot exploit economies of scale.”

As a result the government has already increased the customer number threshold to 250,000 customers for participation in the final year of the social programmes the Carbon Emissions Reduction Target and the Community Energy Saving Programme. The threshold for participation in the Warm Home Discount Scheme has also been set at 250,000 customers. The government has similarly proposed to exempt suppliers with fewer than 250,000 customers from the Energy Company Obligation. In light of these changes the government has proposed that the threshold above which the collection of a Green Deal charge is mandatory for suppliers should be set at 250,000 domestic and non-domestic customer accounts.

Cornwall Energy would suggest that 250,000 accounts would be an appropriate threshold for the reinsertion of SLC 25A to come into effect. This would sit well with the principle that supplier’s behaviour will only be considered material if it impacts a significant number of consumers and that smaller suppliers are unlikely to be capable of infringing the requirements of SLC 25A in practice.

3. We welcome comments from stakeholders on whether there are alternative suggestions or views on the Undue Discrimination Prohibition Standard Licence Condition (“SLC 25A”).

No comment.