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Non Confidential

Meghna Tewari
Senior Economist
Retail Markets Policy
9 Millbank
London
nondomestic.rollovers@ofgem.gov.uk

11th April 2014

Dear Meghna,

Reference: Proposals for non-domestic automatic rollovers and contract renewals

Gazprom Marketing & Trading Retail Limited ("***Gazprom Energy***") would like to thank you for the opportunity to respond to your consultation. We do not consider our response to be confidential and we are happy for our comments to be shared with other interested parties.

Gazprom Energy operates in the UK non-domestic sector as a gas supplier and a gas shipper. In addition, we also operate in the UK non-domestic power market as an electricity supplier.

We have participated in the development of the proposals and attended Ofgem's workshop on the subject. As such, we welcome Ofgem's proposals not to ban automatic rollovers as we believe they are an important, alternative option that best suits the needs of many micro business consumers. In particular we note that Ofgem's analysis identified that customers on Out of Contract Rates remained on those arrangements, on average, for longer than the period for a rollover contract.

Furthermore we believe it is prudent that appropriate time be given to determine the benefits arising from the additional dates that will be shown on micro business consumer's invoices. This initiative delivered through the Non-domestic Retail Market Review (RMR) will provide those customers who do not wish to auto-renew, with the important, relevant dates of the contract.

We do not believe further changes to renewal communications should be mandated through licence at this time, as the real benefits of RMR to customers have not yet had time to take effect. Nevertheless, benefits may be realised in aligning termination windows and supplier terminology to aid customer understanding and encourage further engagement.



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We have set out our responses to the individual questions in the call for evidence in the attached appendix.

We hope you find our comments useful. Should you have any questions on or would like to meet to discuss our response, please don't hesitate to contact tom.breckwoldt@gazprom-energy.com.

Yours sincerely,

Steve Mulinganie

Appendix 1

CHAPTER 2: Automatic rollovers and contract renewals

Question 1: Do you agree with our proposal to reduce the maximum termination notice period to 30 days?

Yes. We agree with the proposal to reduce the maximum termination notice period to 30 days. Standardising the termination notice period across the industry may limit confusion amongst micro business customers regarding the different timescales they may be subject to with different suppliers. It will also mean that renewal letters should be received at a similar time, regardless of supplier i.e. around 60 days' prior to the contract end date.

For information, to improve customers' experience of energy contract renewals and to minimise later confusion, we have begun sending renewal letters by recorded delivery.

Question 2: Do you agree with our proposal to include current prices and annual consumption on contract renewal letters?

We agree that including annual consumption on renewal letters would be helpful for micro business customers. It would, together with their renewal price, allow them to more easily assess their expected cost for the proposed renewal contract period. Annual consumption is key information for customers to know when contracting, this information should aid customers in comparing quotes from different suppliers more accurately. We agree that this information should be based only on historic consumption and not attempt any future projection of consumption which may be misleading and confusing for customers.

We are not convinced that the current price should be included on renewal letters as our micro business customers already receive a contract pack and a monthly invoice indicating their current contract price. We do not agree that the benefits of including this information on contract renewal letters would outweigh suppliers' implementation costs. We believe annual consumption information is information that may not already be provided and which may be useful for micro business customers.

We would also propose separate renewal letters for micro business customers who have already submitted a termination notice as opposed to those who have not. These customers have already shown active engagement in the market in terminating and will already receive additional correspondence from their supplier in the form of an acknowledgement of termination, within 5 working days. In addition, it is likely that many customers in this position will already have agreed a new contract with their existing supplier or indeed a new supplier.

In circumstances where a customer has already submitted a termination notice, we would propose the 60 day renewal letter is similar to the acknowledgement following the termination notice. Effectively this would outline that a notice to terminate has been received and the rates that will apply if a new contract is not agreed or a new supplier is not appointed.



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Question 3: Do you agree with our proposal to require suppliers to acknowledge termination notice received from a customer? Do suppliers already do this?

We agree with the proposal that suppliers should acknowledge termination notices received from a customer within 5 working days of receiving. These timescales seem reasonable and already fit within our current processes.

Question 4: Do you agree with our proposed implementation dates?

We believe a 31st August 2014 implementation date would be challenging with the development and system changes that would be required. This is particularly the case given the significant amount of industry change scheduled for the coming months.

We would request at least a 6 month lead time from the date the Authority's final decision is published. The information included on the letters could be the basis on which customers energy purchasing decisions are taken and we believe there needs to be sufficient time for suppliers to ensure that the renewal letters sent are to the highest standard.

Question 5: Do you have views on the proposed amendments to standard licence condition 7A in Appendix 2?

No.

CHAPTER 3: Deemed and out-of-contract terms

Question 6: Do you agree that the current licence conditions provide sufficient protection to consumers on deemed contracts?

Yes, we agree that the current licence conditions provide sufficient protection to consumers on deemed contracts.

Question 7: Do you agree that more consistent use of terms across suppliers would benefit consumers?

Yes we agree this would be beneficial for customers to aid understanding and minimise confusion when contracting and when assessing different suppliers' offerings.

We are, however, concerned that this process is proposed to be led by Energy UK as we do not believe they adequately represent the non-domestic market but are primarily focused on the big players in the domestic market. We would prefer to see this process led impartially by Ofgem or by ICOSS who represent the majority of the independent Non Domestic Suppliers.



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Question 8: Should suppliers be able to object to the transfer of a deemed consumer with outstanding debt?

Yes we believe that this would be an improvement on the current process. Currently customers may be able to build up debt with a supplier, in the knowledge that they may be able to change supplier without any objection being placed. This could lead to significant costs for suppliers and it potentially increases the risk of supplying a deemed customers, which could be factored in to the deemed prices charged by suppliers. We believe suppliers should be able to object to a customer transferring who is in debt, regardless of whether they are in a negotiated contract or in a deemed contract.

CHAPTER 4: Options we considered

Question 9: Do you consider there are any other options we have not considered?

It would be worth considering the option for suppliers to send renewal letters electronically i.e. by email where a customer has agreed to email as their preferred communication. If a customers currently receive all other correspondence from their supplier via email then having renewal letters in the same format may be beneficial in the correct person receiving and reading it.

Question 10: Do you agree that we should not ban automatic rollover contracts?

Yes, we agree that automatic rollover contracts should not be banned for the reasons highlighted in our covering letter and the call for evidence response in July.

Question 11: Can you estimate the potential costs and benefits (in £) of our preferred options? Please consider the initial implementation and ongoing costs where possible.

Our high level estimate of implementation costs would be £120k based on recent industry changes. We have been unable to quantify £ benefits but as stated in question 2, we are sceptical of the benefits of providing customers with 'current prices' on their renewal letter, as this information is already received in the contract pack and on each monthly invoice.

Question 12: Are there any other impacts we have not identified?

We are not aware of any.