

Views of domestic bulk LPG customers

Individual No 1

29 July 2004

I write following a prompt from an advertisement in The Telegraph on 22 July regarding an Inquiry into Domestic Bulk LPG supplies.

I have an Aga which runs on LPG and when I moved here 8 years ago I inherited an LPG tank which is owned by Shell. I have to pay a quarterly charge (£15 per quarter) for the tank and a charge per litre for fuel supplies.

During the course of my residence here I have noted that other companies will supply LPG at a lower rate. However the disincentive to change is that Shell have indicated that they would wish to remove the gas tank for a fee of c£60 with all the consequential disruptions involved in having a small crane into my garden. So I find myself tied to Shell – and Shell realise that they have got me locked into their sales forever!

Individual No 2

9 August 2004

I am writing in response to the invitation to submit evidence relating to the supply of LPG Gas.

I am a home owner and have lived at my current address with my family since August 1997. We use LPG gas for virtually all our energy requirements (heating, cooking, hot water) and we are dependent on a single supplier for our supplies (there is no piped gas to the village).

This was initially Eurogas until they were taken over by Calor Gas, who top up our tank and charge us a six monthly service charge. Periodically the charge per unit changes, as does the service charge and as there is no alternative supplier available I have to accept the assurances of Calor Gas that they are acceptable. I am naturally concerned that in this monopoly market, there is the possibility of unfair charges to be made.

Individual No 3

23 July 2004

I noticed in the Daily Telegraph of the 22 July 2004 that you are seeking evidence as regards the supply of domestic bulk LPG.

As a former customer of Calor Gas I feel that this was an opportunity to express my views on this matter. I was using LPG as my main heating source for six years until last year when I decided to replace the old heating boiler as spare parts were becoming harder to obtain.

I chose to change to an oil fired boiler to breakaway from Calor Gas and the monopoly it had over me. I still feel sufficiently angry at Calor Gas and the way they treated their customers that I am writing to you.

The storage tank was rented from Calor Gas, which cost me £13-£14 per quarter. This was supposedly for covering the insurance costs and the tank maintenance, which to my knowledge never happened.

I was prohibited from using another supplier by the contract I signed with Calor Gas, thus tying me to whatever price they wanted to charge. If there was the slightest increase in the cost of the raw material they would invoke a price surcharge and then take a long time to reverse it after the prices had settled back down.

When I requested them to remove their tank from my premises they tried to make me pay for its removal, which of course I refused to pay, and threatened to charge them storage costs.

If ever a market needed to be opened to competition then this is it, especially for those of us in rural areas where mains supplied gas is not and never will be an alternative source of energy.

Individual No 4

Letter of 22 July 2004

We live in a small Edwardian cottage; two bedrooms plus a boxroom, two bathrooms, two reception rooms, one kitchen. The property is centrally heated via an LPG gas tank, which also heats our hot water; in addition the LPG powers a two-burner Aga cooker.

We currently pay for the LPG via a monthly standing order of £130 (annual cost: £1,560). The standing order is to go up next month to £176 (annual cost £2,112). Supplier: Shell Gas. As there seems to be no competition in this market, nor no central government control of prices with different suppliers seeking business, we have no way to compare our power costs except to say that I suspect these costs would be much lower if we had natural gas, oil or electricity as our main utility. I do not consider our enforced ignorance where we are at the mercy of one supplier a satisfactory situation. Perhaps your Commission could consider the above in its evaluation.

Letter of 3 August 2004

Further to my recent letter may I just add a couple of points? When we bought our current house LPG was already the fuel in place; therefore we had to accept it because of the high cost of replacing with another base fuel. I have found the fuel extremely expensive and, whilst I do not object to the suppliers making a profit, one wonders how this is calculated with a captive market. I believe in the circumstances of the LPG market that some sort of government control is needed to bring about fairness.

Individual No 5

5 August 2004

After reading your notice in the national press, I would like to offer the following feedback:-

Details

Contractor - Flogas

Tank Capacity - 1400 litres

Average Annual Usage - 3900 litres

Current Price for Gas - 23.4p / litre

Daily Standing Charge - 10.41p / day

Comment There are certain criteria within the LPG supply business which mitigate against a genuinely competitive market:-

Point 1

The barrier to entry for new/different suppliers caused by the supplier retaining ownership of the storage tank. This factor means that changing suppliers leads to conflict, is usually difficult and lengthy and potentially leaves the gas user at risk of absence of supply. Suppliers will not co-operate to make the transfer happen smoothly (compare to changing electricity, mains gas or telephony suppliers).

Point 2

There is an unofficial cartel in operation amongst the main gas providers based on "their" perceived territorial coverage. This means even major suppliers will not quote for new business outside "their" territorial limits - they prefer not to risk retaliation and a consumer-led market.

Point 3

The standing charge of 10.41p/day is non-negotiable, subject to arbitrary revision and bears no relationship to quantity of gas used. It is effectively a tax for LPG users which is not paid to mains gas providers.

Discussion

Points 1 - 3 above could be included in your review of the LPG supply market. I would be willing to participate in a review panel of actions which could remedy some of these limitations, though as there are many options possible, prefer to defer this part of the process until you have received other submissions.

Individual No 6

30 July 2004

You are inviting comments from interested users of bulk LPG supplies.

In this rural area there is no mains gas supply, nor any hope of any. Accordingly, for all practical purposes, one must accept oil or bulk LPG gas for, at least, central heating and, optionally, for cooking and water heating.

When I purchased this property in 1992, the builder had already arranged with MSF Gas (now 'Countrywide') for the installation of a bulk tank and I accepted a contract which included, inter alia, a quarterly rental for the tank which was to be used only for MSF Gas supplies.

The price of the gas, at first quite reasonable, tended to creep up. To an extent I had no real quarrel with this because it depends largely upon crude oil prices which, like the product itself, are volatile. I did have (and still have) the impression that the suppliers are rather quick to adjust prices upwards, but somewhat slower in readjusting should crude oil prices fall – this may, however, be my normal reaction to costs going up everywhere. What I did find unacceptable was an increase costs in the tank rental which MSF would have had me believe was due to their increased costs in maintenance. As far as I could see there was no maintenance. The tank was merely checked at each delivery by the tanker driver.

Because of the expense I restricted my demand for gas. I was particularly annoyed to have a letter from MSF stating that because I was not using enough gas for their purposes, a very substantial increase would apply to the price of future deliveries. I wrote to their chief executive asking him to think of the reaction which similar action by the main fuel suppliers would produce. Here was I, a pensioner (although I do not want to plead poverty), attempting to economise on heating because I found it expensive and the reaction was to put the price up – British Gas would probably find themselves the subject of a Parliamentary inquiry. I even threatened to report to the Competition Commission, and now wish that I had done so. It made no difference and there was no concession. I had to admit defeat, but their action released me from the long term agreement and I told them to remove their tank. I entered into a new agreement with Calor who, generally, I find more reasonable, although still expensive.

If I may presume to advise, what you may care to consider is the system of supplying bulk tanks on rental. The consumer is barred from using his tank for any other supplier and this stifles competition. I have enquired regarding the installation of my own tank, which must surely be possible, but have been strongly advised against it both by Countrywide and Calor. They emphasise the problems of maintenance and insurance but I am not convinced that these are valid.

An ideal situation from the consumer' viewpoint, would be a tank rental agreement which allowed the consumer to accept deliveries from other suppliers. This would enable him to enquire about the best prices, thereby creating competition.

I have no evidence that the suppliers 'carve up' territories between themselves, but this does not seem entirely unlikely.

I also strongly object to any price variations between users which may be dependent upon usage but also, to my knowledge, depends upon the customer making his own enquiries about how much his neighbours pay.

I have probably written more than enough on a subject which is general knowledge but, in the unlikely event that you require any more, I shall be pleased to help.

Individual No 7

22 July 2004

I contracted to buy my new house in September 2000 for eventual occupation in April 2001. I sought oil heating, but was told that British Gas (BG) had been contracted by [the builder] to supply LPG to the site. This meant that, against my wishes, I was tied to BG for a 5 year period for the supply of LPG. I complained to no avail to [the builder] that this was restrictive practice – had I been able to have oil heating installed I could have changed supplier of fuel as often as I liked. The reason I was given for the contract was that BG owns the underground gas tank and is responsible for its safety checks. In over 3 years of occupation, the tank has, to my knowledge, only been inspected once – the operative, who spent less than 10 minutes on site, could not get his instruments to give the expected readings, so he entered suitable fictitious answers in his record book and moved on to the next house.

I am uncertain as to the procedure to be followed at the end of the 5 years. As long as BG retains ownership of the tank will I be tied to them as supplier? If I change supplier or change to oil will BG ruin my garden by removing the tank and maybe charge me for the privilege? Will I be required by law to contract a safety checking regime?

Since inception in 2001, the cost of BG (now FloGas) gas has risen from 17.5p to 23.75p per litre. Were I to install alternative heating and not use the gas, it would still cost me 17.8p per day or £65 per year in standing charge.

It strikes me, and many of the other local occupants, that this is a licence for BG (now FloGas) to print money at our expense.

Individual No 8

30 July 2004

When we purchased our house in 1997 it was newly built and we were the first occupants. There being no mains gas supply to this village at that time (and in fact there is still no supply), the developers had installed an underground tank of 2,250 litres for storage of LPG. We were told it was not possible to have ownership of the tank and had no option but to enter into an agreement to pay a standing charge for the hire thereof to a company called Eurogas based at Alcester in Warwickshire, which had supplied the tank to the developer.

We still have our copy of this agreement, which is regulated under the Consumer Credit act 1994, General Condition no 4 of which states that:

'The Hirer agrees that throughout the terms of this Agreement the Hirer will purchase from the Owner all the Hirer's requirements of commercial propane and/or commercial butane and any other liquefied petroleum gases agreed upon by the parties for use in the Vessels mentioned overleaf and for use at all other premises acquired by the Hirer after the date of this Agreement provided they are within the Owner's normal area of operation. If at any time the Owner notifies the Hirer that it is unable to supply the Hirer with any order placed under the terms of this agreement, then the Hirer shall be free on that occasion only to arrange an alternative supply provided that the Owner gives his written consent.'

Between 1997 and the present, Eurogas transferred its interest to Calor Gas Ltd based at Warwick, to whom we now pay the standing charge for the tank and who supply the LPG. We have asked Calor Gas if it would be possible to purchase the tank, but they have refused. They stated that the standing charge is required for maintenance of the tank, although no-one has ever been out to inspect it.

Under Eurogas we could order as much, or as little, gas as we needed. However, under the system which Calor Gas operates, their tanker driver checks the tank at unspecified intervals when he is in our area. The tank is supposed always to be a minimum of 30% full, so if it is less than that, or at a level, which he considers too low to wait until his next check, he is required to fill it. If at the time the driver checked the tank, it was just 30% full, at the current cost of 27.75 pence per litre (as of 25th May), it would cost £416 for the 1,500 litres to bring it up to a full reading.

If we want to order gas because it is getting low and we do not know when the driver will be calling, we can only order as much as is required to fill the tank, no less. In other words, we cannot order 1,000 litres if the tank has less than 1,250 already in it, we have to purchase whatever is required to bring the tank up to full (2,250 litres). Bear in mind also that LPG deliveries have to be paid for 'up front' and not after consumption as is the case with mains gas and all other utilities.

Other potential suppliers have informed us that they will not supply gas into a tank belonging to Calor Gas and we feel that it is this fact which prevents us from seeking more competitively priced LPG.

Individual No 9

9 August 2004

We are a group of bungalows all using LPG and all paying different prices per litre. My own cost is 30.75p per litre plus vat. The price went up by 4.5p per litre as from 7-8-2004.(17%?). We pay £65.00 per month. The supplier originally requested £91.00 per month. We have to negotiate with the supplier which can be an ordeal.

When a neighbour telephoned Flogas to ask why they were paying over 30p per litre, the reply they received was because they were using less than others.

We feel the price per litre should be the same for all domestic customers.

I do hope you can help the many customers out of the current chaos.

Individual No 10

23 July 2004

I have been a domestic user of Calor Gas for the last 7 years, during which time I have seen the prices rise significantly. The costs have now become so expensive that I have chosen to replace my gas central heating with oil.

In order to action this it was necessary to terminate my contract with Calor. I gave them 8 weeks notice when only 1 month was necessary as there had been a price rise. Calor initially said they required 3 months' notice but eventually had to agree that only one month's notice was necessary. The contract also states that "a charge will be made for such removal and any credit given for the gas in the vessel in accordance with Calor's policy in force at the time".

Calor's response was to inform me that **no** credit could be given for the gas uplifted but they were willing to empty the tank of my gas and then presumably resell it. The value of the gas could well be in excess of £250. Plus they would charge **me** £120 for the removal of **their** tank that I had been renting.

I consider that the imposition of these charges and the lack of recompense for the gas to be nothing more than commercial blackmail to induce me to stay with Calor. I trust this evidence will be of use.

Individual No 11

9 August 2004

In response to your request for evidence regarding the supply of LPG to private individuals, I would like you to consider the following information which I hope will be of benefit.

My wife and I live in our own property, which is a park home, on a leasehold park. We are supplied with LPG from one of several bulk tanks which are underground and I have witnessed 'tankers' re-fuelling these tanks as we have one in our garden. The supply vehicle carries the name 'BATA Calor Gas'.

We are charged at present 99.86p per cubic meter for the gas which I believe is extremely high and the last two winter period quarters were both in excess of £250.00. There are some residents on the park who I feel will be hard-pressed to meet these costs as people living on this park have to be over 50 and a great majority are retired and therefore any regulation to control exorbitant charging will be of great benefit to everyone.

As a result of the above I took it upon myself to contact BATA implying that I was considering buying a plot of land on which to site park homes and was researching costs. I was told by BATA that if I had 60 park homes on a site the LPG price would be less than 20p per litre. The park owners are charging us 27.36p per litre. To convert this to cubic meters at 20p per litre we would be paying 73p as against 99.86p being charged at present, a difference of some 26.86p. For your information there are [over 100] homes on this park!

I am not aware of how much the park owners' pay for the LPG as they say they do seek the very best price, but it only took one phone call from myself to find a much cheaper price for a lesser number of homes, albeit not including any profit.

I know that there is no legislation to govern the cost of LPG supplied domestically and park owners can charge whatever they like, so I do hope that this bit of information may be of some value to you in your research and of course if I can be of any further help then please do contact me.

Individual No 12

17 August 2004

I use LPG for cooking and heating and have no access to mains gas. My current supplier (FLOGAS), has just informed me that prices will increase by 4.5 pence per litre, blaming the world situation. As there is no regulation for this industry I just have to accept this increase. To change supplier, as your web site says, would be difficult because of the cost. I would be interested in any progress that you make during your investigation.

Individual No 13

19 August 2004

With regards to the article in the South Wales Guardian (19/8/04) as to the cost of LPG.

Flogas took over from British Gas and the first thing they did was put the price up, it went up again and just last week a further increase of 4.5p per litre. Well, I am an OAP and just wish my pension went up that amount.

Roger Williams the MP raised the matter and that we should write to you.

Individual No 14

20 August 2004

LP GAS

I have read in my local paper that the Competition Commission has announced an inquiry into the price charged for LP Gas, following an investigation by a Swansea Valley MP – Mr Roger Williams. For some time I have felt very unhappy at price increases, and trust the following information would be of help.

I moved to the above address in August 1994 and unfortunately do not have records back to that date, although from memory the price was approx 19/20 p per litre. The following information can however be confirmed, shown on the attached sheet, and I trust will be of assistance.

British Gas

| <u>Date</u> | <u>Cost per litre</u> |
|--------------------|------------------------------|
| 17/8/00 | 23.5p |
| 5/10/00 | 26.0p |
| 29/3/01 | 23.0p (Negotiated) |
| 23/9/02 | 23.75p |

British Gas transferred to Flogas – 11/02

Flogas

| <u>Date</u> | <u>Cost per litre</u> |
|--------------------|------------------------------|
| 16/12/02 | 25.75p |
| 27/2/03 | 28.25p |
| 15/4/03 | 25.75p |
| 18/11/03 | 26.75p |
| 7/8/04 | 31.25p |

Individual No 15

20 August 2004

OFT REFERS DOMESTIC BULK LPG TO CC

With reference to your advertisement in the Farmers Weekly. I have been at this address since 1 May and with the house came a LPG tank supplied by Shell Gas. I rang Shell Gas and explained that I had always had mains gas and knew nothing about LPG expecting someone would be able to explain what to do in an emergency. All I got was a booklet.

I was told that I would have to have a contract with Shell Gas, which I duly signed as I was very low on gas. I did not realise at the time that only Shell could supply me, I know I should have read the small print! However, none of this was explained over the phone.

I have since had a running battle with Shell over the continuous price rises. I am told that as I do not use much gas they cannot bring the price down. I explained that I do not use much gas because of the price! I am getting price increases because of the conflict in the Middle East but have no way of knowing whether they are selling me gas they have bought before the price of oil went up, if indeed it did.

I have to pay £80.89 per annum rental for the tank, for this I get 24-hour call out if there is a gas leak, which I feel they should come out anyway if there is a leak from a safety point of view. Also any problems or repairs that are needed are covered unless I have caused the damage myself. The tank is tested every 10 years.

If I wish to dispense of their services I will have to pay for the emptying of any gas left in the tank £230+vat and £250+vat to uplift the tank. To change to oil would cost £3,000 for boiler conversion.

Individual No 16

26 July 2004

We live in on a park home estate consisting of [over 50] properties who have to rely on LPG for cooking and heating. The ages of our residents is 60 to 92 years of age and unfortunately we cannot take advantage of being able to change our supplier without a lot of hassle.

For a number of years nearly all the park were customers of Shell Gas. In 1997, because of problems, mainly administration and deliveries, we were experiencing with Shell [a number of] people changed to Calor Gas. At that time the Contracts with Shell had expired and because they had lost a lot of their customers a Rep came to visit the remaining customers with new 5 year contracts. Unfortunately, we did not read the small print as we should have done nor was it explained fully to us the implications of the Contract.

At the time we signed the Contracts the price was 16.5p per litre, but over the next five years it gradually increased to 24.5p per litre.

Towards the beginning of the 2003 a poll was taken on the park and a lot of people wished to change their supplier to Calor Gas because their price was much cheaper.

We wrote to Shell at the beginning of 2003 asking if they were prepared to reduce the price of their gas in line with their competitor, namely Calor. It took them a month to reply to this letter and they said it was not possible to reduce the price because of the state of the market. Once we received this response we wrote [a number of] letters giving them 3 months notice that we were going to cancel our Contract. Upon receipt they telephoned a resident saying they were going to reduce the price immediately to 21p per litre!

We were also informed that we could not give 3 months notice until the Contracts had actually expired at the end of June.

Unfortunately, because of difficulties in placing the tanks in the right position because of safety only [a few] people changed to Calor after giving the appropriate notice.

We were immediately informed that we would be charged £250.00 plus VAT for the removal of the tank and sundry charges if Shell were involved in the change over of the gas from one tank to another. Calor fitted the new tanks and the changeover was very smooth. All Shell had to do was bring a lorry to the park and collect the old tanks which they did 3 days after the fixing of the new tanks by Calor.

Over the last 9/10 months we have been involved in lengthy correspondence with Shell as we have refused to pay their extortionate charges. They have since reduced the fee for collection of the tank to £100.00 plus VAT but we have still refused to pay this. Our argument has been that six years ago when [a number of] people changed they refused to pay any charges and never did pay anything. Over the years we have paid tank rental on top of the gas so why should we pay for them to collect their own property.

For at least 2 years before we changed supplier we were paying 24.5p per litre against Calor charging 21.5p per litre. Calor customers are now on a fixed price of

21.3p per litre plus tank rental. 6 weeks ago Shell customers were advised that the price was to be increased by 2p per litre because of the oil situation.

Individual No 17

Domestic Bulk LPG

In response to your advertisement in the Daily Telegraph of the 22 July last, I am pleased to write to you on behalf of the committee and members of a Residents Association.

Ownership and/or occupation of the separate dwellings is limited to persons over the age of 55. Currently, all the owners are fully paid-up members of our Association and hold their individual properties on long leases from the Landlord.

LPG is supplied in bulk to the owner of the adjoining premises by Calor Gas Ltd. The fuel is held in storage tanks situate on the landowners land and thence piped into each of the individual properties through meters.

Up to April 2003, the cost of LPG to us was 17p per litre, since when it has been increased to 29.5p per litre. The owner pays for the bulk supply and recovers the cost, per month, from the owners of the properties. We have documentary evidence that LPG is supplied to a nearby village, by Flogas Ltd at the cost of 19p per litre.

We are currently in consultation with our Landlords, to source a supply of LPG fuel at a price considerably less than that charged by Calor Ltd. (eg Flogas!) The price paid by us now, in comparison with the price paid in April 2003, is a perplexing distortion which is hard to explain, particularly when compared to the price currently charged by Flogas, a competitor of the Calor company.

Individual No 18

26 August 2004

Having read the letter in the South Wales Guardian Newspaper about the high cost of LPG, I find it is so unfair that we have to pay almost double the price for LPG.

It is my choosing that I use it, as where we live has no mains gas, but how I wish it was available in my area.

I have been approached by several different firms asking us to change to cheaper electricity and gas but that, as soon as you tell them that you are on LPG, there are no savings for you.

At the moment I pay £80 per month direct debit for LPG which gives central heating and hot water I will soon have to raise that figure again to cover costs but I am not alone on this problem as there are others like us who like having gas as it is clean but at what price.

I find it hard to understand why we are charged so much for it and I do say that it is so unfair.

Individual 19

27 July 2004

The following information might be useful to your inquiry.

My wife and I moved to this property in late 1998 and 'inherited' an LPG supplier, an LPG tank and an LPG system for heating water/central heating. Having moved from an urban area with mains gas (an earlier experience of oil) and electricity, we were soon to find out a little about fuel problems in rural areas.

When I first contacted the LPG supplier in December 1998, I was told that the price per litre was 18.95p and that the tank would be topped up on a monthly basis. The price was constant until October of 1999 when it rose to 20.45p. In May 2000 it rose to 24.45 and I queried this. Oil prices were blamed but the June delivery price fell to 20.45. By September it was 23.45p, November 24.45p and in December 25.95p and it remained at that price until the November 2002 delivery. Between then and January 2003 it was 27.95p, in February it was 29.95p and in March and April 32.45p. By the September delivery the price had fallen to 28.95p and that was maintained until January of this year. In February the price was 30.95p and when I queried it I was told that it would be 28.95p next time. It was but I have not had a delivery since May.

Sorry to bore you with these figures but the points I wish to make are:

- (a) I accept that the oil-based fuel market will be volatile at times, but
- (b) has oil for heating risen in price as much as LPG in the same period?
- (c) how can one find out the real price of LPG (ie the supplier seems to have had lee-way on the occasions I have queried prices)? And
- (d) how can one find a local/national list of LPG suppliers (certainly not in Yellow Pages)?

The year following our move here, I contacted BG/Transco about an alternative fuel supply. [We are] two miles from [a village] which has gas supplies. To extend the supply, 'as a guide only', I was quoted a contribution cost of £2,600 per dwelling based on a positive interest from 112 households.

Oil would be another alternative but I did not investigate that following receipt of a form for a Three Year Agreement for the Supply of LPG and the Hire of LPG Equipment from the supplier. I declined to sign and approached the local Trading Standards Office for advice (ie surely 3 years was Excessive?). 'A sympathetic ear' best sums up that encounter. Anyway, after I had declined to sign the next year, I heard no more. On the reverse of this form is a clause seemingly making change to another fuel expensive, viz:

10 TERMINATION

- (c) The Customer shall pay to the Company the cost and expense to the Company of removing the Tank and Equipment.
If the agreement is terminated before the 3 year period, as shown in the schedule the customer will pay to the Company an uplift charge of £350.00.

Although I have not signed the agreement, I do pay the tank rental of £70 pa + VAT, in half-yearly payments. Do all LPG suppliers charge a rental, charge a similar

amount or is it a case of “what the market will bear”? Are there national standard procedures for tank maintenance or is that at the discretion of each supplier?

In 2001 I wrote to the constituency MP, Anne McIntosh and to the DTI Enquiry Unit pointing out that some of the above facts and stressing that in rural areas there was little or no choice of suppliers. The reply from the Conservative spokesperson for the Environment promised the use of the competition laws to control monopoly suppliers, while the Government minister explained in detail what affected LPG prices, what legislation already covered LPG sales and that the Director General had carried out a review in 1998 and had concluded:

- (a) that none of the LPG suppliers covered by his review were seeking to profit unduly from the exclusive nature of the supply arrangement at the expense of consumers;
- (b) that the LPG supply contracts examined by the Office of Fair Trading did not contain penalty clauses for premature cancellation of an agreement

I submit that in 2004 there ‘are features ... that appear to prevent, restrict or distort competition’ and ‘that customers wishing to change supplier ... face obstacles’.

Individual 20

In response to the recent notice concerning OFT referral of Domestic Bulk LPG to Competition Commission, as users of LPG in the last 15 months only upon moving to this residence I can only offer the following information on the subject.

The previous owner of the property was a serving seaman and residency was limited to between spells of duty. Invoices for LPG supplied up to early 2003 indicated that the commodity was supplied by Shell Gas UK and the storage tank is identified as being provided by Shell for which quarterly invoices are rendered for rental of the tank at £15.00 + VAT.

Information left by the previous owner to enable us to obtain supplies showed the price to be 27.2 pence per litre, prior to this an earlier 2001/2002 invoice was charged at 25.2 ppl. In April 2004 we were notified that due to rising oil and gas prices this would mean an increase of 2.5 ppl from April 24th bringing the price to 29.7 ppl.

We have no knowledge of any other customers in the vicinity using LPG gas, we appear to be the only users in the close. Whereas there are a number of users of heating oil in the close and locality who have a choice of supplier (if needed) judging by the various named tankers supplying that type of fuel we appear to be captive to one source of supply, although we have no complaints about the service provided by Shell Gas UK.

Individual No 21

- (1) I have been a user of LPG for over 20 years
- (2) I pay £13.50 maintenance on the gas tank and to my knowledge the tank has been inspected by Calor engineers only twice in that time.
- (3) A leak was found by a fitter visiting our house to repair an LPG fire. Calor were informed and the leak was repaired.
- (4) On the 30th August 2004 Calor raised the price of Gas by 3½p per litre- to over 30p per litre.
- (5) It is very difficult to change supplier owing to the time of changing tanks etc.
- (6) I hope the points I have raised will help towards your enquiries.

The 3½p rise in the cost of Calor Gas is far too much at a time when the cost crude oil is falling. It goes up but never comes down.

Individual No 22

I understand that a commission has been set up to investigate restrictive and unfair practices in LPG supply. I have recently attempted to change LPG supplier and found almost insurmountable obstacles have been put in my way and safety issues have been abused. If it is not too late I would be very happy to provide the commission with evidence which I am sure would be of interest.

I moved to a rural area with no mains gas just over two years ago. Both the house heating and hot water use LPG through a Combi Boiler. There is a static LPG tank in the garden which is the property of Calor Gas.

When I investigated the cost of the LPG from Calor I found they were charging me over 26ppl for the 4500 litres pa we use, and the total cost in the first year was nearly £1200. I considered these costs horrendous for a fairly average 4 bedroom house compared with just over £200pa for mains gas in my previous property.

As a result I obtained quotations from other LPG suppliers which were much cheaper, but they all advised me that they would have to supply their own new tank and that the existing tank was not sited in accordance with guidelines. This meant that a new supplier would have to install a new tank right in the middle of my back lawn, 3m from the house and 3m from the boundary fence. Furthermore, I would be responsible for supplying a new concrete plinth to sit it on or to dig an enormous hole if I wanted the tank sunk under the lawn. However, if I chose the latter I would also be responsible to dig an equally enormous hole around the tank if I ever wished to change supplier again.

As a result I managed to persuade Calor Gas to reduce the price to about 20p on the basis they were going to lose my business. (Although I did not want an tank in the middle of my lawn, nor could I afford the cost of digging the required hole to hide it.)

However, whilst the price was fixed for the first year I was forced to sign a 3 year contract and Calor will then be in a position where they can put the price back up to whatever they like.

Although Calor claim to have inspected the tank on each of the 10 deliveries over two years and have fitted a new telephone low warning system they seem to have ignored the fact that the tank is not sited in accordance with requirements.

My own recommendations to this enquiry would be as follows:-

- LPG suppliers should be forced to trade tanks based on an age related cost so that customers can easily change suppliers without having to change tanks.
- The above point would save considerable time, money, and resources. I have had the tank changeover process explained to me and it is criminally wasteful and totally unnecessary.
- LPG suppliers should only be allowed to enforce / offer fixed term contracts if they offer a fixed term price.
- All pricing should be regulated and profits monitored.

Individual No 23

I write to put my two penny worth of view points to your inquiry.

I have used LPG since 1972 and the situation has not become any better for people using bulk storage tanks for this fuel. Yes, I realise the tank has to be maintained by someone due to health and safety rules etc. Since moving, I had a bulk tank installed by Calor Gas. At the time they were offering free installation of the tank and the tank would be filled at the rate of 17.50p per litre for 12 months plus a rental charge for the tank of £52 per annum paid quarterly. The price after the 12 month period would increase to 19p per litre and the rental stay the same. I did not have to sign for a greater period than the first 12 months.

Yes, we have had increases in the world price of crude oil and that is where LPG is derived from. Calor Gas increased the tank rental and instead of saying £13 per quarter made a daily charge paid monthly variable due to the number of days in the month, making £65 per annum. The latest litre price is 30.75p blame being placed on oil prices, but crude oil price has gone up and down but not Calor Gas. They have always managed to fill the tank the day after I am notified of an increase! I have had the tank removed and will be receiving an account of £120.00 to pay as per contract for removal. It has taken me 2 letters asking for the tank to be removed with no reply other than a manager turning up without an appointment asking why I wanted the tank removed and then was not happy on being told that it was simple economics that I was able to obtain gas from a local firm at 5p per litre cheaper and without the rental of the tank cost. I switched to Flogas using 47kg bottles.

This house is heated by the latest type of boiler using LPG from 4 bottles banked together. The price is £25 for 1 bottle containing 97 litres, it went up in July to £26 and has been reduced back down to £25 Sept. but Calor gas is still 30.75p per litre as against my 25.77p per litre. Considering the bulk tank holds 1200 litre and a delivery of 800 to 900 litres was not unusual, you would think that a better price would be available because of a bulk drop. Now at least I am supporting a local delivery man and the profit is staying here. My consumption for the 12 month period is in the region of 4000 litres, thereby saving about £250 each year although this year I have to pay the removal of the tank fee.

I hope you are able to understand this letter and that it will help you to come to a conclusion as to how a more competitive market may be achieved. My own advice to someone using LPG is to have the 47kg bottles banked together as they are more easily swapped to another company. My one man delivery business would never let me run out!

Individual No 24

I write in connection with the notice placed in the Daily Telegraph. I live out in the country and when I moved into the property there were no mains gas supply in the area and to date there is still no mains gas. We opted for LPG and signed up with Amazon Gas in 1985. Since which time our suppliers have been taken over repeatedly until now we have the LPG from Shell Gas. When I first signed up in 1985 there were 3 of us in the area and we used to talk to each other and were able to talk to Amazon and ensure our price per litre was very much the same. One changed to oil the other left the district so I now have no contact with anyone using LPG.

I use about 4,200 litres of LPG per annum. We have to sign up to a three-year supply and at the end of that time either party can terminate it on giving 3 months notice. The present agreement was signed in April 2002. Before signing the agreement I found out that I could obtain LPG from British Gas at a cheaper rate. I rang Shell and told them that I would be finishing with them and changing to British Gas. They immediately dropped the price from 23.50 per litre to 21.90 per litre in line with the British Gas price. That price remained in force from 24th May 2002 to 21st January 2003 when the price was increased to 23.90 per litre. On 13 May 2004 I received a letter to advise me that due to the volatility in the Middle East then the price was going up by 2.50 to 26.40. The tank is 1200 litre tank and the rental is £50.40 per annum though what they do for that I do not really know.

I am delighted that someone is looking into the pricing of LPG as isolated units like myself have no means of knowing whether I am paying a fair price compared with other like units.

If you require any further information I shall be pleased to supply it.

Individual No 25

Following a very informative article concerning LPG gas prices in the Western Morning News on 11/9/04 I write to advise you of our experiences as we live in a mobile home dependent on this type of fuel. As we were previously reliant on bottled gas our new site owner decided with the tenants approval to install individual meters with piped LPG from a main tank installed on the site. This work which was extensive was carried out without charge to each home. This proved extremely beneficial and resulted in lower charges. However due to escalating oil prices our gas price charged on our last bill was 0.27 pence per litre for payment on 5/9/04. Since then we have been notified that as from 5/8/04 the charge per litre will increase to 30 pence excluding VAT.

I hasten to point out that our site owner is a very honest and responsible person and like us is at the mercy of the supplier which is Calor Gas. As we have no alternative supplier I consider that a degree of overcharging is Calor Gas policy and therefore request your assistance and advice in this matter. We are all retired tenants on our site/park and unable to sustain these increases although we are in receipt of winter heating benefit from the Government.

Individual No 26

We have just been informed that the UK domestic bulk LPG supply industry has been referred to the Competition Commission.

In this respect we would like you to take our comments into account.

We are very unhappy at the prices that Flogas charge and because of the obstacles that prevent us from negotiating a better deal with an alternative supplier, we have no alternative but to accept this very expensive way of heating our home.

We are part of a large estate that would welcome the opportunity to chose another supplier and feel that we should be allowed this privilege.

Individual No 27

With reference to your inquiry into the supply of LPG, as reported in my regional newspaper, the Western Morning News, on Saturday 11 September 2004, I submit the following.

I am a user, for the past sixteen years, of LPG (Propane) supplied by Calor Gas Ltd. The bulk storage tank and installation is owned by Calor Gas Ltd for which I pay, at this time, a standing charge of £15.88 per quarter. As a result I am obliged to purchase my LPG from Calor Gas Ltd. The price, at this time, is 30.75 pence per litre.

The ideal situation would be if I was able to purchase LPG from any supplier, other than Calor Gas Ltd. To do this I would need to have control over the use of my bulk tank. Ownership of the bulk tank would, at first glance, appear to be the solution.

However I feel that this would not be at all satisfactory for the following reasons. The majority of LPG users would not be able, or willing, to pay the cost of purchasing the bulk tank and installation; they would not wish to pay for periodic tank testing, inspection, ongoing maintenance, insurance and, ultimately, the replacement of the installation. The result would be a greatly increased danger of an explosion from a bulk tank which had been allowed to deteriorate.

One solution is for each supplier to continue to lease the bulk tank and installation to the user as at present but under a separate contract allowing the supply of LPG from any source.

An alternative solution would be to establish a separate company, or companies, who would take over all bulk tanks and installations wherever and then lease them to the user under contract. Again the LPG to be purchased by the user from any supplier. This solution would have the merit of not jeopardising the safety aspect.

I feel that this problem of the bulk tanks and installations will be difficult for you to resolve and I wish you well in your inquiry.

I look forward with interest to reading your report in due course.

Individual No 28

I am one of the unfortunate persons that are in the position of being tied to a supplier of LPG because of having to rent a tank from them and so cannot change my supplier without considerable expense.

This restricts competition, as I am at one supplier's mercy and cannot take advantage of any cheaper gas that may be on the market, and so, whenever the price is put up by my supplier, which is always blamed on the price of oil, I have no option but to pay. Seldom is any drop in the price of oil resulting in a drop in price to me as a consumer.

I thank you for your attention.

Individual No 29

Letter of 18 September 2004

We are very pleased that you are investigating this market. In this household we use both KEROSENE and LPG.

At least 15 years ago we noticed that whereas Kerosene prices followed the world price of oil the price of LPG also a product supplied from oil refineries, never went down. Representations to our then supplier Calor Gas, met with bland comments about stability of prices and not chasing the markets. We contacted our then MP, a local man, who replied that he understood our point exactly. Nevertheless, letters from him to Calor Gas and other bodies failed to produce any result.

We changed supplier to British Gas, necessitating a change of tanks who sold out to a supplier called Flogas.

The cover over the control valves on the top of the tank is locked for which only Flogas (as far as I know) has the key. I am unable to use any other supplier. The annual rent for the tank is £38 p.a. + 5% VAT.

There are unlikely to be more than a few manufacturers of LPG tanks in the country. The fittings will have to be manufactured to an approved design and standard, and we are unlikely to differ very much. Doubtless all suppliers of LPG are licensed and trained to supply LPG to domestic tanks. To render the market competitive all that would appear to be necessary is for suppliers to be enabled to gain access to the control valves of the tank. A possible simple solution would be for the customer to be supplied with a key to the cover.

Tank maintenance requirements appear to be slight.

We agree that there should be a locked cover, although a determined evil-doer would never be held up for long by a hinged cover.

Thank you for your attention.

Letter of 23 September 2004

I am not complaining about one particular company. My complaint is that I can only buy LPG from the owner of the tank, in my case this is FLOGAS; but my situation would be the same if a different company owned the tank. There is no advantage to me in ascertaining prices charged by other companies, as then I would have to change my tank to one owned by the new supplier, for which charges would be raised.

Hence there is no price competition between suppliers. In contrast, I can go to any supplier for heating oil. Oil tanks carry no locks, unless the owner wants one.

Individual No 30

I enclose the latest price list for LPG that is supplied to our static holiday home (caravan).

A simple calculation using the conversion factor of 3.65 to convert gas in its liquid form to a meter unit gives the price of LPG as 31.23p per unit.

This is around 10p above the unit price a householder would expect to pay.

Residents in static holiday homes are being held to ransom by the suppliers.

Initial Letter Attachment: 'Information Sheet'

Gas

The same applies to gas, as has been the case with electricity, with the new rate now being £1.14 per unit plus VAT at the rate of 5%.

Individual No 31

Re your article in the Western Morning News on September 11 2004 re LPG. Some two years ago I wrote to the Rt Hon Mr G Brown re the cost of LPG to home owners such as my self. I live in a park home and we must purchase our gas from the site owner. This cost is going up and up. When we lived in a brick bungalow and on mains gas my yearly bill was around £300 per year. Now with us having to use LPG that cost has gone through the roof, ie last year my LPG cost over £600 for the year. Mr Brown passed my letter on to the Energy Secretary who replied the price is governed by the petrol companies, but could we people who have to use LPG as there is no mains gas near us have a rebate of some kind, ie domestic users get it cheaper. What with a low OAP pension plus my works pension this is a lot to pay for cooking/heating.

Individual No 32

12 September 2004

I am writing in relation to your inquiry into the lack of competition in the LPG supply market. As outlined in the article in the Western Morning News, LPG customers are really trapped into retaining one supplier and are unable to switch easily between suppliers because the Companies insist on retaining control of the gas tanks held at a customer's property. In fairness, it should be noted that the rental of the tanks has remained constant at 11.5p/ day for the last 4 years.

Unfortunately, the price of LPG is not so stable and only seems to fluctuate upwards. The table below shows the prices over that last 4 years from BP:-

| Date | Price/Litre | Reason for inc. |
|---------|-------------|--------------------|
| (120396 | 0.1790) | |
| 070100 | 0.1940 | |
| 210300 | 0.1995 | |
| 210700 | 0.2245 | inc. in oil prices |
| 061100 | 0.2545 | inc. in oil prices |
| 080203 | 0.2645 | inc. in oil prices |
| 210604 | 0.2645 | |

(My annual usage 3500 litres)

These prices represent an increase of 73.35% over three years from 2000-2003. As I'm sure you are aware the price of oil is now nearly the same as it was 3 years ago.

How could we have competition in this area? It is a problem. Perhaps customers could own their own tanks and switch between suppliers. The main difficulty for many would be finding the capital to fund the purchase of the tank. In my opinion if customers had to find this money they would probably change to oil which would not require much more of an outlay. Alternatively, the companies could agree to share the ownership of the tanks. I cant see that working! Those of us who live in the sticks are trapped into high fuel costs and gain none of the benefits of competition available in urban areas.

I look forward to seeing the results of your deliberations on this matter.

Individual No 33

27 July 2004

As a captive domestic consumer I very much welcome the enquiry into the supply of bulk LPG. By way of evidence I would like to submit my own example of an attempt to change supplier. I have been a customer of Calor since our house was built back in 1991 and the builder did a deal direct with Calor for the installation of a 2 tonne tank and associated pipe work leaving me to sign a domestic supply agreement and pay rent for the tank. Since then I have been supplied some 73,300 litres of gas and paid over £14,000 for the privilege. Back in early 1999 we were approached by Scottish Gas which was offering a lower price for the gas, an introductory one year discount and the chance to benefit from a further saving by buying both electricity and gas from the same supplier. It was made clear that to take advantage of the offer, the gas tank would need to be changed and that this could only be done when almost empty. With Calor's automated top-up service meaning the tank is always fairly full I soon realised that the time to run the tank down and the logistic difficulties of timing a changeover made the whole proposition unworkable and had to decline the offer. There was also the feeling that after the initial short term gain one would once again become a "captive" customer.

However much on paper one can buy bulk LPG from several sources in practice this cannot work for a domestic user tied into a supply agreement. Calor is always very quick to increase prices as soon as the oil price moves upwards but is always slow to reverse the position knowing that the customer can do nothing about it. The current "temporary" price I pay is £0.2675/litre Plus VAT.

For the market to work properly I believe that either there has to be a clear split between the supply of storage facilities and the LPG or there need to be common agreed standards of installation and safety procedures with freedom to purchase LPG from any supplier who meets these standards and store in the tank, whichever company supplied it. As you will no doubt be aware the Calor domestic supply agreement limits the customer to only buy gas from Calor. I would be quite prepared to buy or rent a tank from an independent supplier if I believed that it would enable better competition between LPG suppliers or not mean any form of discrimination at times of supply shortage.

I look forward to the outcome of the enquiry and sincerely hope that it creates an environment where the forces of genuine competition can result in lower prices with the feeling that one does have some opportunity for negotiation.

Individual No 34

6 August 2004

With reference to your advertisement in the press for information regarding the subject of your inquiry I would like to submit evidence.

I live on a residential estate. During planning the developer contracted Shell Gas to provide a Liquid Petroleum Gas network supplying all the residences. Most residences use the LPG for both central heating and hot water but some of the converted properties have it only for central heating. Shell were granted a 25 year lease on a compound where six bulk LPG tanks, owned by Shell Gas, are installed. Shell Gas also retained ownership of the supply pipes to the residences and the meters for each consumer. In addition Shell Gas was given exclusive rights to supply gas on the estate for a period of five years from November 1997. I have a copy of the agreement between the developer and Shell Gas should you wish to see it.

Approaches to Transco in 2001 showed that the nearest point on the existing natural gas network is approximately one mile away from where the Shell Gas bulk supply feeds the estate distribution network. The cost of providing a pipeline, at the end of the Shell exclusive supply agreement, would have amounted to about £1500 per residence and the cost of replacing the meters and the appliance burner jets would have brought the total to about £2000 per residence. It would almost certainly now be considerably more. Although it was not investigated it seemed certain that any alternative supplier, whether of natural gas or LPG, would also have to buy the existing on-site network from Shell, the cost of this being passed onto the residents. This seems to give Shell an effective monopoly. We are, therefore, effectively unable to transfer to a more economical supplier.

I believe that the following may be outside the remit of your inquiry but if you would be interested I will supply details. I had a great deal of difficulty over the form of contract which Shell Gas wanted me to sign. It contained no information on precisely what would be supplied, the units in which it would be supplied or the energy value of the gas. Shell Gas has not provided a form of contract which I find acceptable although they continue to supply me with gas which I pay for. My attempts to obtain from Shell a statement of the calorific value of the gas so that its cost could be compared with both natural gas and electricity were also very long and unnecessarily complicated. I also contacted the local Trading Standards Office who contacted the Derbyshire TSO but whether they intervened with Shell Gas I do not know. I can supply copies of all correspondence with both Shell Gas and the TSO should they be of interest.

Individual No 35

It has come to my attention that you are investigating the supply of LPG to Domestic properties in the UK. Can I bring to your attention a company called FLOGAS who supply the LPG to the above addressed property and to other properties on a small development.

The village does not have mains gas and the builder of the estate negotiated with FLOGAS to supply the whole estate. We therefore have no option but to pay the charges levied by FLOGAS.

I pay monthly for heating, water and a gas hob and the current charge to cover the bill is £98.00 PER MONTH others on the estate pay more. Can I ask that you include this company in your investigation.

Individual No 36

I live in a new housing development. The first occupiers moved in during 2002. The estate is fed by bulk storage LPG and there is no mains gas anywhere near the village. Our LPG supplier is Flogas.

The residents' association has complained vociferously, but with little joy, to Flogas about the cost of LPG. They seem to increase prices at the slightest excuse 'in response' to global events and market forces, but the prices never come down again, even when the global oil price dropped dramatically after the end of the war in Iraq last year. As a professional energy manager, I estimate that my cost with Flogas is almost double what I would be paying for natural gas.

Because Flogas paid for the bulk tanks to be installed, they require a lump-sum before they will allow an alternative supplier to take over the account and, of course, any change of supplier would need the agreement of everyone on the estate.

Individual No 37

As an end user of LPG, I have found it necessary to challenge our supplier (Flogas) in relation to their pricing and the fact that I believe that they are taking advantage of their sole supplier status. I enclose a copy of my letter to them as this may be of some interest to you, in relation to your enquiries.

Having read through your initial findings, I believe that they fairly represent the current state of affairs and confirm that, like ourselves, all LPG domestic users are trapped in an unfair supply chain and are powerless as individuals to do anything about it.

I would also like to highlight the following points:

We have a **below ground** tank which is probably not that unusual and makes it even more difficult for the consumer to contemplate its removal prior to signing with a new supplier. Within the current and typical supply arrangements, the consumer must first complete the current contract period and then be faced with a new contract from another supplier; it is by no means certain that any agreed price would be left in place for very long- the old adage comes to mind 'out of the frying pan into the fire'.

Whilst mentioned in your initial findings, I would like to comment on the imposition of **Standing Charges**. These will be, I'm sure, a fairly standard feature of the market. In our case they are 17.8 pence per day which equates to £325 over a typical 5 year contract period and remain thereafter when the relationship continues on a three month either way notice period. Any claim by a supplier that they need to recover tanks costs within the pricing of LPG is highly questionable when the contract states- and I quote 'a daily standing charge for the provision and maintenance of the supply vessel(s) and associated equipment and other services forming the part of the overall supply of propane from us to you'.

Changing to alternative fuels would not, I believe, be an easy or inexpensive exercise. If we assume, and you have made this point, that consumers take LPG due to the fact that the mains gas is not available- and that is certainly the case in this locality (although quite bizarrely the mains gas trunk pipeline runs across fields not more than 100 meters from our house!) –the only alternative is oil, which would require a boiler change and possibly (as is the case here) cooking equipment unless the change was made for heating and hot water only.

All this presupposes that consumers have somewhere suitable to site an oil tank and can find a way to run a feed line to the boiler site in an existing building.

I would also like to make a few comments relating to the participants' claim that 'comparing prices across competitors was not difficult':-

Search as I may I have yet to find a supplier that advertises its prices. If you call an alternative supplier, the first thing they want to know is your name and Post Code, the second thing is 'are you already an LPG user?', they will not discuss their prices over the telephone and the best you'll get is 'I'll get someone to call you back'. My view is that they protect one another and that they are only interested in taking on new customers rather than business from each other.

In conclusion, if this market is to become transparent, fair and competitive in its dealings, then consumers must, in the first instance, be confident that price fixing and collusion are not a feature of the market.

Consumers must have control (if not direct ownership) over their tanks and who they seek to fill them.

It is a total 'Red Herring' for participants to claim that it is for safety reasons that they cannot fill another company's tank. Regular checks (which happen anyway) and a simple form of certification is all that is required; the same applies to adaptors-engineered to a prescribed standard and certified as being fit for the use. This last point regarding adaptors came as something of a revelation to me, and the fact that there is no open standard for filling valves.

How, I ask myself, can the participants square their concerns over the above safety claims when they are all directly or indirectly involved in the supply of Autogas. Here the consumer is running around in a car, van or truck that has both propane and petrol tanks on board and they fill both these tanks themselves at a petrol station!

I wish you every success in your endeavours on our behalf and sincerely hope that your inquiry will lead to an open and competitive market.