

Further views of domestic bulk LPG customers

Individual No 1

7 January 2005

I live in a rural area where mains gas is not available. I opted for bulk LPG from Calor gas on a three year contract for my domestic heating.

If I wish to switch within the 3 years period, I have to pay to have the underground removed and replaced by a tank from an alternative supplier.

This will be expensive and very inconvenient. I am not able to select an alternative supplier to Calor and still use their vessel due to "insurance considerations". Even after the 3 years period I will have to replace the underground tank to move to an alternative supplier.

I am stuck with any price increases that Calor wish to make. There are major barriers to switching LPG suppliers in the UK market and I think this makes the restricts and distorts the market.

I would be happy to provide evidence to the commission if required. I look forward to seeing the results of the Competition Commission report.

Individual No 2

7 January 2005

Dear Sir

After some lengthy telephone enquiries I have just learnt of your LPG enquiry. I have strong misgivings of current practices and I hope my letter will constructively contribute to you work.

I am a domestic LPG customer with a large tank on my premises. I am dissatisfied with the monopolistic and expensive service my provider, FloGas, gives me, but I am unable to do anything about it. I would like to appoint an alternative supplier but find it impossible because FloGas will not allow other suppliers to fill my tank. They own the storage tank and no other firm is allowed to fill it. I am locked into a five year contract of the tank and it seems they can charge any price they like for LPG (ie at present FloGas is 29p per litre compared to 20p from a local supplier). Since all suppliers' vehicles and their equipment conform to the LPGA regulations why can we not be supplied by a firm of our choice.

My tank contract terminates next year. The tank is in good condition and has been maintained and tested as required by the law. If at the end of the contract I wish to change my supplier I must have the tank removed at a cost of £170+VAT and a new one installed. This is an unnecessary expense and will cause upheaval and damage to my property. Also, moving a tank with gas in it is dangerous, and emptying it also has risks associated with it. If I or an alternative new supplier wish to purchase this from FloGas, they will not allow this. This practice is spiteful and a ploy to discourage customers considering a change and hence is a restrictive practice. I pay a rental for the tank and it is routinely tested and certified so why should it matter which accredited supplier fills it.

In today's climate of competitive electricity, gas and water prices I find it hard to understand how the LPG industry is allowed to get away with these restrictive practices, its inflated prices and monopolistic manipulations. If your enquiry stops these practices people living outside natural gas supply areas would not be disadvantaged, they would have choice, and there would be price competition. This would hopefully lead to a better and safe service.

I hope my comments are useful.

Individual No 3

13 February 2005

I took ownership of the above property on 26 November 2004.

At the time of viewing the properties available, estimated running costs of the gas system given by [redacted], as apparently supplied by Flogas envisaged an annual cost of £490+ VAT + Standing Charge, based on a m³ cost of 84.7p.

I am now in receipt of a Conditions of Agreement which Flogas have requested that we complete and return to them. However, I feel the terms and conditions are restrictive in that I would be tied into a contract for a minimum of 3 years with this Company despite the fact [redacted] are the company who contracted Flogas to supply and fit the initial pipe work **(item 7)**. I find **item 10** of the Contract to be particularly binding in that until such times as any new occupant of our home signs a new contract, we are still bound by its terms and conditions and are therefore responsible for any damages or pipe work belonging to Flogas.

Under normal circumstances, being tied to a Gas supplier for 3 years would be no mean feat, apart from the fact that before we even moved into the property, our Gas Bill is currently standing at approximately £120.

As you can see, the letter has been copied to [redacted], who have so far failed to respond. A representative of Flogas telephoned last week who was unable to offer any reasonable explanation or any suggestions as to how the matter could be resolved. We were asked to complete the Direct Debit Mandate and a total of £60 per month would be deducted as payment towards our gas bills. This would only just cover the current gas usage, which [redacted], is for no more than a few hours a day.

I find this situation unacceptable and cannot believe that we can be legally bound to abide by this company's extortionate pricing, if not inaccurate consumption metering.

Individual No 4

15 April 2005

I welcome your initial assessment of the issues as published on 1 April 2005. From my perspective it's spot on.

As the owner of a property in [redacted] that is supplied by BP LPG I would like to add my comments.

BACKGROUND

We own one of fourteen barn conversion. The developer had already concluded a deal with Handy gas - since sold to BP LPG - and so like other customers our group of fourteen have been locked in to a single supplier since then. We have a communal tank and are separately metered and billed. We 'negotiate' the gas price in common and in the last year were dismayed to be billed with an increase for which we had had no prior warning. Following our remonstrations some adjustment was made and we have now agreed a price of 23.95p per litre fixed until 31 Jan 06.

However bills are often opaque, meter readings have been omitted from bills and customer service is below the standard (not high - see the current class complaint by Energywatch) of other energy utilities. This truly reflects the monopoly position of the supplier

There are two points that I wish to bring to your attention; the first material to the investigation, the second anecdotal:-

1. Our gas is measured in cubic litres but billed in cubic meters. 1 cubic meter is said to be 3.65 litres and that is the factor used in the conversion.

A 'competing' supplier (Flogas) quoted a conversion rate of 3.85 litres on the grounds that 3.65 applies at atmospheric pressure but 3.85 applies at pipe pressure. Simple arithmetic tells you that this variation in conversion factor results in a price differential of +5.2% in BP's favour quite aside from any absolute per litre price difference.

I have not seen this factor mentioned in any of the customer correspondence published on the CC website and thought that you should be aware of this issue prior to coming to any final conclusions.

Individual No 5

I recently moved into a new house supplied bulk LPG by Shell. Before signing the contract I read the small print and was shocked by the terms. On signing the contract I would be locked into a five year deal with the potential for the gas price to rise 4 pence per annum, which would potentially take the cost up to 46.5 pence per litre. Now I currently estimate we're using 120 litres per week and this increase would take our fuel bill up to over £240 per month. Whilst Shell inform me this is very unlikely, if I sign the contract I have no room for negotiation. Consequently I looked into the options and contacted every supplier listed on the LPGA website (<http://www.lpga.co.uk/LPGA.htm>) who appeared to cover Cornwall. These are my findings:

- Calor will supply on better terms (3 year contract with 2.5p/year increases) subject to a survey which is happening this week.
- BP have the best terms but no longer supply underground tanks
- Premier LPG don't cover my area
- Flogas UK would supply on a 5 year contract with no upper limit on increases. Plus we'd have to ensure the 'pit' had a concrete base and the correct backfill. I didn't get the impression this would be a smooth changeover.
- Countrywide LP Gas don't cover my area
- IEG only supply developments

So of the six potential alternative suppliers only one of them is looking hopeful and I'm not very optimistic about the site survey. Consequently I was searching the net to see whether it's possible to buy my own LPG tank, which it seems it's not, and I have just come across your investigation. Whilst it may be possible to change supplier it would seem it is in fact easier to move house.

I cannot understand why I cannot buy my own tank, pay for it's maintenance and upkeep and buy gas from whichever supplier I want. I hope your investigation is still open and if so draws the same conclusions.

Individual No 6

20 June 2005

I have read through the correspondence you provide in the Third Party Submissions document. Our experience is depressingly similar to most of them.

We bought a new house to which a Calor Gas underground tank was connected. For the first two years or so we did not understand that one could even change supplier, but in the lack of another obvious supplier or the lack of natural gas we did not bother.

Then slowly over the past year or so the LPG price has crept up, due we are told to the increase in oil prices. As others have observed, the price goes up quickly but comes down rather slowly in comparison to oil. I cannot find good data to know whether this perception fits the facts; however, I note that in a more competitive market, that for vehicle fuel, the prices are adjusted more quickly and less dramatically. It seems to me that Calor Gas are taking advantage of their monopoly to extract as much money out of captive customers as possible.

We would also comment on the lack of inspections which others have also observed. The man who brings the gas pumps it and goes off, and I have never seen a proper inspection carried out, unless a glance at the tank when the lid is raised counts as one. For this 'privilege' we pay far higher standing charges than other utilities.

I have also found that if you complain to Calor about prices, they are miraculously able to reduce them a little. This is inherently unfair, as I do not see why (for something as basic as energy) those who shout the loudest should get better deals than the general user. Their prices should be publicly available and pegged for everyone. This suggests that they are profiteering from the sale of gas and have plenty of slack. Energy prices should not be open to haggling as in a Middle Eastern bazaar!

The worst aspect of the lack of competition in the market is the preposterous requirement to change tanks if you change suppliers. Surely, as all suppliers are supposed to be responsible companies, they should be able to transfer ownership from one to another on paper with no cost to the consumer? In our case, the tank is underground and the suppliers know that most people will not wish to go through all the upheaval of having one's garden destroyed to gain some supply advantage. Hence we are probably more captive than most users of LPG.

What is needed is for LPG to be a competitive option. I would suggest:

- (a) prices should be regulated or controlled in the same manner as natural gas and electricity supplier's are.
- (b) transferring of tanks between companies via a paper transaction should be the normal procedure.

All the evidence points to LPG being an inherently more expensive fuel than others. Between them these improvements would permit a fairer system for consumers who have no choice other than to use LPG.

The following was subsequently on 11 July 2005

Further to my comment in the earlier part of my letter, personal experience has now shown how variable Calor Gas's pricing can be. One would normally expect domestic customers obtaining their electricity or mains gas from the same supplier in the same street to be paying the same tariff, or at least on a publicly available different tariff.

In particular, I am very concerned about the differential pricing offered to different customers. After complaining to Calor Gas about their high prices, I was offered a contract for a year at [several pence] a litre less than I am paying at the moment. Shortly afterwards, I happened by chance to be talking about gas to one of our neighbours on the same development (we all have Calor tanks). He loaned me his bills, and I discovered that he had been paying completely different (and lower) rates than I, so much so that I estimate I would have paid [over £100]+vat less over the last two years if I had been offered the same rates. He recalls not having signed any specific agreement for this pricing. I have had no explanation as to why we were not offered comparable rates.

This is a specific issue I would like taken up with Calor if I am unable to resolve it myself. I think it further highlights the need for both the Competition Commission's enquiry and for formal regulation of the LPG industry.

Individual No 7

3 March 2005

I just wanted to voice my concerns over the extortionate price of LP Gas. My wife and I recently moved and to our horror received a bill from the company who supply our LP Gas, Flo GAS, this morning for £316.23 for a quarter! This is about £200 a quarter more than we were paying when on the mains. Having investigated online regards other suppliers, it seems we have little option but to stay with this company, who appear to charge whatever they like. This is very unfair and quite ridiculous, I sincerely hope that we and millions of others, can look forward to a positive result from your investigations in the not too distant future. Thank you for investigating this matter.