

In addition to the letters of complaint to the OFT shown below which were copied to us (and subsequent letters also sent to ourselves), we also received a number of letters from individuals to their gas supplier complaining about the price of LPG—most of which are not reproduced here.

Individual No 1

Letter sent to OFT

06 March 2003

We recently communicated the attached correspondence to Shell, copied to amongst others, Ofgem, in relation to our distress at the excessive pricing being levied by Shell in the provision of LPG. Ofgem have informed us that they have no responsibility for regulation or investigation of LPG competition issues and pricing but suggested we refer to yourselves.

The attached correspondence to Shell is self explanatory but in essence we are taking the issue with Shell on the continued excessive pricing they are levying for the supply of LPG. Unfortunately we have little alternative given the village has no natural mains gas and the alternatives are either oil, bottled gas or LPG.

We have recently had an underground tank fitted and unfortunately due to contractual terms and the fact that the underground tank remains the property of Shell, the pain, disturbance and additional cost to us in converting to say oil or bottled gas is prohibitively expensive.

Enquiries in the past of the only other alternative LPG gas supplier in the area, BP, makes us believe a form of duopoly exists between the two. Putting this excessive pricing into perspective, we have a four bedroom house, LPG powered Aga and with central heating limited to usage early in the morning and evenings. Our heating being supplemented by **electricity supplied** under floor heating. Based on our last bill this was the equivalent to over £180 for one month's usage. We have no leakage as we are using roughly the same quantities as we have in the past. **This equates to staggering £540 per quarter** in the winter months and excludes that standing quarterly charge for the gas tank supply. **This is prior to the latest price increase advised to us last week!**

We are absolutely dumbfounded as to how Shell can get away with this. This has now been brought to a head, compounded by their total lack of customer care.....we have been trying to get an engineer out to adjust the height of the tank cover on the new tank, as the tank has shifted since being installed (and we have been forced to dig up the newly laid paving to access the tank). Despite repeated calls to the call centre and their area representatives, calls are not being returned.

In short, we consider there is compelling case to investigate the LPG pricing practices of Shell, most certainly in this village and if not elsewhere and would be delighted to hear from you, as to whether Shell has been recently investigated for its charging practices, and it would be most certainly enlightening for us to understand how the price differential for mains supplied natural gas is so dramatically different to that of LPG. We would of course expect some difference, being a different derivative to mains gas and fewer economies of scale etc but not to the degree we are evidencing.

We do hope you are able to investigate this for us, as I am sure you will appreciate from the information supplied, there is a strong case to be answered. It would be interesting to ascertain what the average LPG price differential is throughout the village... but we have yet to progress this matter to the next stage, in engaging the rest of the village on a crusade against Shell.

You will no doubt have detected by the tone of this correspondence that we are quite bitter at the treatment we have been receiving from Shell, from both an excessive pricing and customer care perspective.

The timing of this correspondence to you is quite fortuitous as following my comments above, we have just received a response from Shell a copy of which is enclosed. As you will see from its content, not only does the sender of the letter fail to identify themselves, save from a indistinguishable signature but the content of the response is absolute drivel, making no attempt whatsoever to justify both the current pricing or the 54% price hike we have evidenced over the past three or so years.

Is this the sort of rubbish that Shell try to palm off on all their customers? Not in this case... we are now incensed. In order for us and potentially other residents of our village to engage your support in undertaking a thorough investigation into the practices of Shell Gas, can you please advise what steps you would now recommend we take?

23 August 2004

Dear Sirs

Thank you for your letter of 19 August. We are most heartened to hear that at long last the market abuse exerted by LPG suppliers, including our supplier, Shell, has been referred to the Competition Commission.

Since we wrote to you last March, it will come as no surprise to either you or the Competition Commission that we received no response to our complaint from Shell. Since then, all we have evidenced is Shell increasing the price still further ... now whilst we accept fuel prices in general have risen due to the current high price of oil, the amount being levied by Shell just gets more and more extortionate.

We sincerely hope, the Competition Commission take the time to inform rural communities served by LPG of their review, as there must be thousands of residents like us, who have expressed their disgust at the practices of the LPG suppliers for years but whose concerns have hitherto fallen on deaf ears and who may not be aware of the current review taking place.

As part of the review and the conclusions derived, should the Competition Commission decide to overhaul the market abusive practices of the LPG suppliers, we sincerely hope they also recommend any pricing review is back dated a number of years, as the LPG suppliers have been getting away with these practices for some considerable time now.

Once again, we are so pleased that at long last an independent review into their practices is being conducted.

Individual No 2

Letter to CC – 31 October 2004 – including points previously made to OFT

Thank you for your letter of October 6th concerning your enquiry into the Bulk LPG market. Several aspects of this industry have concerned me for some time. My concerns are:

- Lack of pricing transparency: The basis for pricing in the industry is 'invisible' to the consumer as is the price others pay. It is difficult enough for the consumer to find out the alternative suppliers in their area and even more difficult to compare prices that are related in some way to rate of consumption – but not in any way that is easy to find out. Pricing needs to be much more transparent.
- Sudden increases in price of up to 28% are difficult for a small business to absorb particularly when the prices we charge (in the holiday lettings business) have to be fixed over a year in advance. For example, between October 2000 and March 2003 the price we pay for LPG gas rose 61%, equivalent to 2.1% per month. It is very difficult for the consumer to judge how much of the increased price is due to unavoidable increases in cost, lack of control over costs, or exploitation of the high switching costs. Indeed, the inconvenience of switching has been used on me as a reason for paying a premium over another supplier's offered price. A supplier setting up supply to a new customer can use a low entry price to secure the new customer but is then rather free to raise the price significantly at the end of (say) the first year in the knowledge that switching is difficult and unlikely to take place. This is known to suppliers and is an argument that has been used against a competitor during my own price negotiation. Price rises need some form of regulation if proper open competition cannot be established.
- High switching costs for the customer (and for new suppliers) exist because the storage tanks and piping belong to the individual supply companies. Tanks and piping have to be removed and replaced on switching supplier and the unnecessary costs are passed on in price increases. In part, tanks have to be changed because the fittings are different. Fittings need to be standardised. The industry structure could also be changed so that rental of the tank takes place from a separate company than the supply or there could be an enforced system for asset transfer between suppliers when the consumer wishes to change supplier.
- One-sided contracts that customers are obliged to sign allow the supplier to raise prices in an unlimited way if this is in response to unusual market conditions. There is no obligation on the supplier to reduce prices after these unusual conditions resolve and indeed there is no evidence that they do on a regular basis.
- Patchy regional competitiveness: not all suppliers seem equally active in all regions. It is difficult to ascertain if they are all competing openly and evenly across all regions.
- Impact on rural areas is very high as these are predominantly without mains gas. Those who live in rural areas on average have amongst the lowest disposable income. Small family businesses, including small farmers in Wales, are least able to bear the burden of non-competitive energy pricing and the high cost and disruption to supply that is involved in switching LPG supplier.

Individual No 3

Letter to the OFT- 9 January 2001

We are residents of a Park Home and use LPG Gas supplied by Calor and are very concerned at the excessive rise in the price of this fuel. We have been living here since September 1999 when the price then per litre was 17.4p, it rose to 23.9p in May last year and in September it had risen to 29.4p.

We were informed by Calor that this increase would be a 'temporary' price surcharge'. The company has been asked when the price will be reduced and we are informed there are no immediate plans. We understand fuel prices are now lower. We also understand there are wide differentials in the price per litre throughout the country.

Perhaps you could help us throw some light on this matter.

Individual No 4

Letter to OFT – 9 February 2001

There has been many strides this year to open up the domestic utilities market to increased competition. These developments have been to the benefit of the consumer especially in the supply of electricity and mains gas. Changes to the telecommunications market (land and cellular) are ongoing but have some way to go.

I would like to bring your attention to the supply of domestic LPG (Calor in my case) where there appear to be barriers to open competition. I pay rental of £13.00 per quarter for a 2000 litre bulk tank (before the addition of 5% VAT). However the contract with Calor specifically prevents me from obtaining my gas supply from anyone other than Calor, even though there are competing companies in the marketplace. This is akin to a car rental company stipulating which filling station to use.

This situation appears anomalous to developments in the domestic utility market generally. Is the OFT aware of this situation and does it constitute a restrictive practice? Is any action ongoing or planned?

Individual No 5

Letter to OFT – 27 December 2001

I should be glad if you would let me know whether there are any criteria by which the pricing of LPG gas for heating can be judged.

Unlike the purchase of heating oil, when the customer can 'shop around' for the best price because he owns his oil tank; the LPG customer has no such flexibility as the supplier owns the gas storage tank and no other supplier can deliver to it.

Over the years I have threatened to cancel my contract and have the tank removed; but this, as the supplier knows, is a fairly empty threat as it would involve a great deal of additional expense and trouble.

Additionally the gas sales representative has said that while I might achieve a reduced rate initially from another supplier for the first consignment it would be increased for all subsequent deliveries. This, I was advised, was 'standard practice by all suppliers'.

Each gas order involves a form of bargaining which would make a carpet dealer in a Cairo souk green with envy. I currently pay 20p per litre; the price achieved after a considerable argument during which the representative told me proudly, 'some people are paying over 30p per litre'.

After confirming my order at 20p I had my gas boiler serviced. When asked about gas prices the engineer remarked that few of his customers paid more than 19p.

With petrol for my car there is a wide variation in pump prices but I do have a choice of which garage I go to. This choice is denied the LPG user.

I am sure that you receive many complaints about the system of charging by LPG suppliers. Is there any likelihood that some form of trading code will ever be imposed?

Individual No 6

Letter to OFT- 8 August 2004

I write in response to a letter from Flogas, regarding a proposed price increase. Since taking over from British Gas, they have continually increased prices and their new rise of 4.5 pence effective from the 7th August 2004 represents a 16.4% increase. I believe that the company has worked to create a monopoly within the bulk LPG industry with the intention of controlling the market and pricing. As a customer living in a rural location, we do not have access to mains gas supply and as such are forced to use bulk LPG for cooking and heating. Applying a rise of 16.4 percent is, I believe, using their monopolistic position unfairly.

I am therefore objecting to this increase. I believe you are also concerned and on the 5th July 2004 referred the matter of LPG supply to the Competition Commission for investigation.

I look forward to your response, and the outcome of the Competition Commission investigation.

Individual No 7

Letter to OFT- 10 January 2001

Would you please investigate the price structure of LPG supplied by Calor Gas.

When we moved into our Park Home in August 1999 we were charged 17.4p per litre, since then we have been charged as follows-

June 2000-	20.4p per Litre
July 2000-	23.9p per litre
October 2000-	29.4p per litre

An increase of 12p per litre in 16 months!

According to a letter in the 'Park Homes' magazine dated December 2000, other areas of the country pay a lot less than we do, e.g. Cumbria- 19.75p per litre, Yorkshire- 22.9p and Hertfordshire- 20p.

At 29.4p per litre we appear to be paying an extortionate rate for the same product. We have approached other suppliers and although their rate was cheaper BP will not supply us unless we use 3000 litres per annum and Shell gas charges £150 to install their tank. We would also have to pay Calor £120 to take their tank out.

As pensioners, we do of course receive the winter fuel allowance, but we do not see why we should have to pay higher prices.

I would be extremely grateful if you could look into this matter for me.

Individual No 8

Letter to OFT- 16 March 2001

I believe the OFT should re-open the case on the pricing of LPG gas on the basis of the following criteria:

- 1) Calor for example have increased prices by 73% since October 99;
- 2) People in rural areas have little alternative and are therefore not free to switch to alternative fuels;
- 3) Even if people can switch there is a substantial cost involved- removal of tank, upgrading/ replacing boilers.

In my view the companies supplying LPG gas are exploiting the fact that demand is not price elastic for the reasons I have given.

I am attaching for your information a copy of my letter of complaint to Calor gas on this subject.

Individual No 9

Letter to OFT - 11 October 2000

I feel aggrieved at the cost of LPG supplied to me by Flogas UK Ltd.

I commenced my contract with them in March 1999. The cost of a litre of LPG was 18.10 pence. Since then I have had the following increases.

Date	Cost Per Litre
7-7-99	20.10 pence
20.10.99	21.10 pence
1-3-0	23.10 pence
18-7-0	26.10 pence
14-9-0	30.10 pence
19-9-0	33.10 pence
	Plus 5% VAT

This is an increase of 82.87%. My main grievance is that at this moment in time Shell UK charge 19pence per litre, and Calor Gas charge 20.5 pence per litre, so why not Flogas? I cannot condone their prices, can you?

Contract to supply in Bulk to a 1144 litre tank.

Individual No 10

Letter to OFT – 20 December 2000

I live on a mobile home park and the reason I am writing to you is to bring to your attention the plight of people who use LPG for heating.

While other forms of heating are costing less, due to largely deregulation, LPG is getting more and more expensive, it seems that because there is no regulatory body to oversee them, they can charge what they like. In the last year LPG has increased 10 pence per litre; that is a 50% increase in just 12 months! Copy statements enclosed prove my point.

I do appreciate everything the Trade and Industry Secretary said in her letter, but that is of no use to people like me who have no other means of heating their homes. The site owner will not entertain the idea of paying for natural gas to be piped onto the site so we have no choice.

The only thing not mentioned is that LPG is made from residue from oil when all other goodies have been refined out. While I appreciate that it has to go through a process to become LPG, and at costs to store and deliver it to its consumers, I still think the charges are excessive.

Individual No 11

Letter to OFT- 26 February 2004

I live in a rural area nearly 7km from the nearest mains gas connection. I therefore have to rely on liquefied petroleum gas (LPG) which is delivered in bulk to a 2000 litre underground storage vessel by Flogas, formerly British Gas.

I find the price of LPG to be particularly expensive at 24 pence per litre, the price having increased by some 34% over the past 5 years.

I have located lower cost suppliers of LPG but I am unable to switch to them as all distributors refuse to deliver to any storage tank that is not owned and maintained by them. Health and safety regulations are quoted as the reason for this.

In my opinion this gives the established supplier an unfair monopoly and prevents me exercising my right of choice. I have not seen the regulations cited but cannot see why I should not be able to make a choice providing that the storage tank is inspected and certified as being in a safe condition.

Individual No 12

Letter to OFT- 1 February 2001

I understand from both the Gas Consumer Council and OFGEM (now combined into 'energywatch') that this area of the gas industry is unregulated but that your office is responsible for keeping it under review. Much has been made in the press of the recent rise in domestic gas prices, and the DTI are quoted as saying 'we continue to monitor the gas market and would act if we found the evidence of anti-competitive behaviour', obviously referring to mains gas. I believe that users of LP Gas are subject to such behaviour and wondered if our position is also being monitored? If so, I wonder if the following points of concern should be borne in mind.

- a. Bulk LP Gas Storage containers cannot be bought, but are owned by fuel suppliers who then insist on lengthy and EXCLUSIVE contracts for the supply of their fuel. Those using oil for their energy needs can purchase their own storage equipment and are thus free to shop around for the best priced supplies.
- b. A standing charge (in my case of 13.6 pence per day ie £49.60pa), continues to be imposed, a charge is no longer paid by mains gas customers. My supplier says this is for 'safety inspections', of storage equipment supposedly carried out by delivery drivers who are not qualified in gas fitting. In my own 4 year experience (and my neighbours 5 years) no maintenance of storage equipment has been needed. I therefore suggest this charge is either unwarranted or excessive.
- c. There are no standing charges for fuel; individuals, even in the same location and using the same supplier, are charged at different rates.
- d. In my own particular case the recent price changes have been as follows:

Jan 2000	16p per litre	Apr 2000	17.5p per litre
Aug 2000	22p per litre	Oct 2000	26p per litre

This last rise was postponed when I pointed out that such an excessive rise was in breach of contract. It was agreed that my rate would be 19.5p per litre for a six month period, after which it would rise to 26p. I was required to sign a new contract in order to continue to obtain supplies.

Even without binding contracts, changing suppliers is a major effect as each insists on retaining ownership of their bulk storage containers, so these have to be replaced, and of course, there is no guarantee of price stability with a new supplier. As for changing to an alternative type of fuel; this would mean a significant cost in new boilers, cookers etc.

I hope that you can offer some guidance in this matter. There must be many thousands of LP Gas users in the same position as myself.

Individual No 13

Letter to OFT- 2 August 2004

Having just saved 8.25p per litre by changing supplier I suggest that profiteering and down right deceit is rife throughout the industry. I put before you the facts.

I was paying 26.25 pence per litre and £14.00 per quarter for tank maintenance to Calor Gas. I was introduced by a friend to Countrywide Energy, their price 18pence per litre £15 per quarter tank maintenance. I am also to receive £100.00 gas free from Countrywide Energy because Calor will charge this amount to remove their tank. I am also to receive £50 worth of gas for introducing my neighbour incidentally another Calor Gas customer who was also paying 26.25 pence per litre. Customers are contracted to a supplier, who owns the tank.

Not every customer is on the same price. The excuse from suppliers is that usage and size of tank is taken into account. Not true, they get as high a price as they can get. You cannot check price unless you ask another customer. If you phone for gas from your supplier the telesales person does not know the price of your gas, why not? Because different customers are on different tariffs. If you phone other gas companies they will not give you a price on the phone, they insist on site visit. This gives them the chance to get maximum price.

My conclusion there is widespread profiteering. In my case by changing supplier I saved 8.25 per litre on a price of 26.25 a saving of more than 33%. The friend who introduced me to Countrywide Energy, my neighbour and myself all made a saving of over 33% if this was repeated nationwide Calor would be in serious trouble.

What action needs to be taken? Gas customers should be allowed to purchase a tank, they could then pay a maintenance company a fee to maintain the tank. This would free customers to shop around for the best price gas which would stop profiteering and most important bring competition to an industry that is crooked and devious.

Individual No 14

Letter to OFT- 7 September 2004

This is a Park Home site and approx 90% of residents here are OAP's or disabled living on fixed incomes.

We have been informed by Flogas our LPG supplier of an increase in price of Gas and the Standing Charge on our tanks due to International prices.

This may seem understandable due to the current cost of energy/ fuel, and we are not complaining about this issue.

What we are complaining over is the amount of the increases they have decided on.

The next day delivery of gas will be increased by 19% and the Standing Charge by an incredible 30%, we find these increases obscene and have written to Flogas accordingly asking them to reconsider their decision (copies enclosed), we have no other supplier and can only hope they are sympathetic. The increases are bad enough at this time of year, if they are not reduced for the winter it could have catastrophic consequences.

We wonder what your feelings are on this situation and would be grateful for any help or advice you can offer us.

We contacted Ofgem on this matter who replied that LPG does not come within their remit and asked us to contact you.

Individual No 15

Letter copied to OFT- 9 July 2000

Recently I noticed in the local paper that you intend to campaign on behalf of the LPG user in your constituency.

Having moved from the Midlands to the above address some three or four years ago it came as a terrible shock to find the price of (LPG) gas so high in Wales compared with town gas elsewhere.

I have come to the conclusion that rural Wales is held to ransom by British Gas, they seem to charge whatever they think the customers can stand knowing they have little or no competition.

After a prolonged running battle with British Gas I have managed to get the price down a little only to have it go up again with the excuse that costs have increased recently and probably will do so again, what makes all this worse is to see that town gas seems to be coming down together with electricity which also is more expensive in rural areas than in cities.

As a pensioner of some years I am finding it more and more difficult to pay for the continual round of heating and lighting expenses, especially as the pensions are not keeping in step with the cost of living (despite the £100 fuel supplement).

Speaking to British Gas today I find that the 'standing charge' will not be dropped or reduced as it is elsewhere.

Having spoken to other LPG users I am certain that you will get their full support in your campaign and I would be very interested myself to hear of a proposals or progress regarding this matter.

2nd Letter

I see in the Shropshire Star that you are trying to get a fair deal for liquid petroleum gas users. Perhaps the following may be of some interest.

When I ring up to order gas no one can tell me the price before delivery. My last bill was for 28p per litre plus £28 per year standing charge. I got a friend to ring pretending to be considering installing LPG heating and cooking, same size house, same district. Immediate quote 17 ½p per litre no mention of a standing charge.

The suppliers know that once it has been installed they can change what they like, the expense of changing is too great. Trading in this way may not be illegal but it is certainly immoral.

Please help in the fight for a fair deal.

Extract from letter to CC

After Flogas took over the business, a very much harder line was adopted by them regarding prices. I have not managed to get anywhere with them, the first thing they

did was to increase prices, the excuse being it was already in the pipeline during the takeover.

Individual No 16

Letter to OFT- 29 September 2003

LPG is supplied by BP at a cost of 15.9p per litre.

There are 3.98 litres of LPG per cubic meter of gas. $3.98 \times 15.9\text{p} = 63.282\text{p}$ per cubic meter. But I am charged £1.6204.

This makes 1 litre of LPG at the price I am charged 40.71p.

I have managed to reduce the bills by reducing the number of radiators used. I have 11 radiators but only 4 are working. Hot water I have turned so low to be only luke warm.

Individual No 17

E-mail to OFT- 16 May 2001

My home heating is by LPG. I have a 2000 litre tank. I inherited the tank when I bought the house and continued buying from Carver Gases of Wolverhampton, but never signed a supply contract. From time to time I have tried to obtain alternative quotations but although action is promised, nothing happens. I am currently paying over 21p per litre. My immediate neighbour is supplied by Shell at a much lower price. I have asked Shell for a quote, and as usual they tell me their representative will call me. As usual I have heard no more.

I appreciate that LPG has got to be way down on your list of priorities, but if you could please advise me if anything can be done, and if so, how, it would be appreciated.

Individual No 18

Letter to British Gas- 2 January 2003

I have written to British Gas on several occasions and, whilst always receiving charming and prompt replies, I still do not feel I have received an adequate explanation of the excessively high charges I am having to pay for my gas.

The main areas of my query are-

- 1) We moved into a new barn conversion last year and the builders signed a contract on our behalf. As I understand it we are tied into you for five years, with no option of using another supplier and no means to negotiate price with you - isn't this a monopoly situation?
- 2) The price comparison with mains gas. I fully understand the additional costs of storage tanks and delivery associated with LPG, but these charges seem ridiculous and with your recent increase of 7.7 pence cubic metre totally unrealistic and unimaginable. One of my bills was for over £800.

	Mains Gas	LPG	Difference
Standing Charge	Nil	3.6p per day	3.6p per day
Unit Charge	17.6ppcm	92.7+7.7=100.4	82.8ppcm

I do not believe that the infrastructure reasons I have been given justify an additional 3.6 pence per day and 82.8 pence per cubic meter higher than mains gas.

In fact it will be cheaper for us to maintain gas for our cooking, so as not to be in breach of contract, but to transfer to oil fired heating- accepting that oil price will be susceptible to the current trading condition too. This is the solution we intended to pursue unless we receive a satisfactory price reduction from yourselves.

I look forward to your comments and review of our pricing.

Individual No 19

Letter to OFT, 12 August 2004

My complaint is in response to a substantial price increase on our LPG gas for domestic purposes (Central Heating- our village has no mains gas supply), on what I consider to be a utility with restrictive competitive practices.

We have been given no notice of this latest 16.4% price increase, and changing to an alternative supplier is a prohibitive option due to the costs involved in paying Flogas to remove their tank, and purchasing a new tank from another supplier.

I hope that by bringing this situation to your attention that some long term positive solution can be found for thousands of other domestic customers such as ourselves; who effectively have little or no choice with sourcing LPG gas.

Individual No 20

20 November 2001

Letter to OFT

You may recall we exchanged correspondence during the course of 2000, and I refer particularly to your letter dated 31 August on the subject of increases in the price of liquefied petroleum gas.

At that time, your informal enquiries found that the large price increases that had occurred in the LPG sector were primarily a result of considerable increases in the price of crude oil, from \$10 per barrel to \$27 per barrel.

However, since that time the price of crude has fallen back to around \$17 per barrel, and there has been no indication, in general, of a corresponding fall in the price of LPG.

This is a matter of some concern to my constituents, and I wonder if you would consider examining this matter once again.

Individual No 21

Letter to OFT

17 February 2002

My concern is straightforward. I live on an estate on which each house is supplied by gas main from a bulk storage compound consisting of six large propane containers. These containers and possibly the gas main is owned or leased by Calor Gas who maintain the gas supply by periodically topping up the gas tanks by bulk road carrier. Calor Gas invoices us by reference to our metered usage in the same way as a natural gas customer would be.

The price charged by Calor Gas to me in December 1999 was 15.4 pence per litre. By March 2001 it had risen by nearly 62% to 24.9 ppl. In June 2001 it was reduced to 23.4 ppl which is still a 52% premium on 1999.

Because Calor Gas is in a monopoly supply position I suspect that it may be abusing its market position. They have been quick to raise their prices but appear tardy in making reductions. My neighbours and I have no way of knowing whether we are being charged a reasonable market price but strongly suspect that in the absence of 'market forces' that we are not.

We would be most grateful if you could look into this matter for us please. I suspect that there are an increasing number of these monopoly arrangements being set up in rural areas such as ours.

Letter to Competition Commission

28 September 2004

My first letter expressing my concerns over unfair pricing of propane for this estate was sent to 'Ofgas' on the 26 June 1997. I was referred by them to the local trading standards office and the Liquefied Petroleum Gas Association as the 'Ofgas' inquiry at that time did not extend to bottled and tanked propane. As this seemed a waste of time I 'dropped the ball' only to pick it up again after my propane price had been raised by 61.69% between December 1999 and March 2001. At this time it reached 24.9 pence per litre.

In August of this year the price per litre has been raised to 30.25p (all prices exclude VAT) which is an increment of 96.43% in less than five years.

I mention this as a matter of record and do not complain about rises as such, which I have no doubt echo the pattern of price changes on world markets.

My first concern is that our price is based on Calor Gas 'normal domestic rates'. Calor Gas' Customer Care Manager's letter of 24 December 2001 stated that at that time my propane price was based on their 'normal domestic rates' less a '2 pence discount'.

I have recently requested from Calor Gas, their current 'domestic rate' price and the size of the associated discount that is currently given (if any) to arrive at the price being charged for deliveries to houses on this estate. I would argue that if our price

structure is still the same, that our pricing is being set using an inflated figure caused by restricted competition in the propane supply industry.

My second concern – I would also challenge the size of the discount (if still the same). It seems extremely meagre when you consider the size of our estate and that most of the houses are still using propane (because of the cost of changing in many cases) and that the installation was made at the commencement of building the estate. All houses are kept supplied by the occasional bulk tanker delivery to the small propane compound behind my house. When one compares that to the normal delivery to a number of different homes spread all around the countryside on differing dates, each requiring separate hook-ups and discharge, you can see what a boon it is for Calor Gas to have houses bunched together and supplied by one occasional bulk tanker delivery. It might be compared to dealing with disparate corner shops and one large supermarket when it comes to installation, supply and metering savings. Is this fully recognised in any adjustment Calor Gas has made in discounting its prices for gas users on this estate?

Letter to Competition Commission

13 October 2004

[Following removal of 3.5 pence surcharge] I note that the removal of this surcharge takes the LPG bulk tank supply to the amount residents on this estate were formerly being charged and as far as I am aware is the same amount that is presently charged to a single residence receiving a small individual bulk tank supply for that individual property. The 2 pence discount referred to a previously letter dated 24 December 2001 as being 'consistently lower than our normal domestic rates ...' appears to have disappeared from the face of the earth. Having been advised by him that the people on this estate were entitled to and in receipt of a rate consistently below that of their normal domestic rate I will of course ask Calor Gas what has happened to it. I find it difficult to believe that Calor can just alter the 'announced structure of the price of our gas' without any notification that this structural change was being made. It would appear that it may have been sneaked in as a normal market increase due to movements in world prices. I stand by my original contention that even the 2 pence discount does not fully reflect the savings made by the structure of these metered estates and invites investigation. What is happening on other metered estates, have their surcharges been similarly dealt with?

I would also point up a term used by the manager I spoke with vis à vis Zonal pricing. It might suggest that there are zones that are cheaper/more expensive than others when it comes to setting prices. It would be interesting to know why this happens. Is it that in some areas there is a measure of competition – say around areas of high population where prices are set to take account of this market and prices are set higher where competition is slack as in many country areas? It may be relevant to your enquiry.

Individual No 22

Letter to OFT - 26 October 2000

My domestic central heating is fuelled by Calor Gas. In the last 4 months, I have received notification of 3 price increases, due to 'world market increases in LPG' according to Calor Gas.

On 28 June 2000, the price was increased by 3.5 pence per litre from 17.4 pence to 20.9 pence. On 12 September 2000, the price was increased by 4.0 pence per litre from 20.9 pence to 24.9 pence. On 16 October 2000, the price was increased by 1.5 pence per litre from 24.9 pence to 26.4 pence.

This represents a 52% increase in 4 months.

The purpose of my letter is to highlight the huge increases in fuel prices being experienced by consumers – and possible exploitation by some fuel suppliers. If petrol increased by 50% the country would riot. If domestic central heating oil increased by the same margin, there would be a similar outcry – but a minority fuel supplier (LPG) would seem to get away with it. Surely there should be guidelines as to what is fair and what is extortion. In real terms to this household, our monthly fuel bill will increase from £80 per month to £120 per month.

It would appear ironic that the government is actively promoting the conversion of cars from petrol to LPG as a cheaper fuel – and even giving grants for the conversion.

Letter to BP

I am writing to you as Chairman of BP International out of frustration with a division of BP, in the anticipation that you may be able to assist with your customer relationships and the acquisition of new business.

I am currently a domestic user of Calor Gas (circa 5000 litres per annum), and I approached BP Gas on 31 October 2000 to see if they would be interested in my business. This afternoon, I had a telephone call from a BP Gas representative, in response to my enquiry. She quoted me for the supply of gas at 19.95 pence per litre for the first year, increasing by no more than 3 pence per litre for year two, tied into a 3 year contract.

I thanked her for the information, and asked if she could confirm her figures in writing. She said she would not do this until I had given termination notice of Calor. Obviously, a customer is not going to give notice to the existing supplier until they have secured in writing the terms and conditions of a new source of supply. I explained this to the rep, but was advised that this was BP policy. At this point, I explained the 'catch 22' of the situation, but she reiterated that this was the policy of the company.

Being confronted with the 'might' of BP company policy, I felt I had no choice but to address this letter to its Chairman to express concern, and ask whether you would enter into a 3 year supply contract without first having an opportunity to study the small print? I would somewhat doubt it, and therefore, why should you expect your customers to?

Individual No 23

Letter to OFT- 11 January 2001

1. I understand that the cost of crude oil has currently dropped by a significant amount.
2. Cold weather and the increased demand for heating by LPG gives the opportunity for suppliers to demand a greater price for a necessary commodity (even though internal costs have not risen).
3. Competition, which supplier is independent and un-influenced by the giant SHELL GAS LIMITED pricing policy?

An undated letter from SHELL GAS LIMITED which I received around Sept '99 advised me of an increase from 18 pence per litre to 20ppl, an 11% increase. A further letter dated 09 Jan 01 advised an increase from 20ppl to 21ppl a 5% increase, the letter also increases the standing charge from £48 to £60pa, an increase of 25% (which cost item rose this much?).

This giant monopoly SHELL GAS LIMITED is able to force users of LPG to pay up, there being no alternative competitive supplier.

Individual No 24

Letter copied to OFT- 14 January 2002

To Peter Atkinson MP,

Something I have been trying to get to the bottom of for ages.

In these days of deregulation and rumblings about pressurised gas sales I'm rather frustrated by one thing, the fact that I'm not allowed to easily change my gas supplier. I feel that there is a bit of a cartel in operation.

Like many in very rural constituencies I use tanked gas, in my case Calor.

I am aware that over time the propane suppliers have supplied cheaper than Calor, there are at least 4 suppliers.

Now to change my supplier I would have to change my tank! This would cost a ridiculous amount!!

Why am I not allowed to get say British Gas to put gas in my tank? After all in my previous house in an urban area several companies could have sent methane through the same pipes. Oil companies do not restrict houses or cars to one brand of fuel.

Would it not be sensible to vest the ownership of tanks in a central company along the lines of Transco or NEDL (perhaps Transco itself) and let genuine competition rule? In the last few years Calor have been quick to impose several rises when the crude price went up but have only dropped the price once since it fell through the floor!

It is also interesting to note that none of the companies involved in gas (both propane and methane) and electricity offer dual fuel discounts to their propane customers, is this not discrimination? I think a lawyer or two could have a field day here.

Individual No 25

Letter to OFT of 18 January 2001

After the recent reduction in crude oil prices and criticism over the petrol pump prices, I should like to draw your attention to a more iniquitous situation.

Last July CALOR were charging me 18.2 pence per litre for LPG. The price increased until the current rate of 25.7 was reached: a price rise of 41.2%. There has been no indicator of any price reductions since the fall of crude oil price by approximately 35%.

Unfortunately I cannot go to another supplier. I had to sign a contract on moving into the above apartment; we are a considerable distance from a mains gas supply; the property is a grade 2 listed building and there would be no possibility I imagine of installing other gas tanks in the near vicinity.

Considering that the tax levied on LPG is 5% there seems to be no reason why other fluctuations in oil prices should not be accurately mirrored in the retail price of LPG. Your comments would be welcomed; your intervention even more so.

Letter to OFT of 7 November 2001

I refer to my letter of 18-01-01 and your reply dated 19-02-01.

Yesterday, crude oil was selling at less than 20 dollars a barrel compared to nearly 30 dollars a barrel in June this year. You, no doubt will know how much the oil price per barrel was in the latter part (March to September) of 2000 which produced an LPG price per litre from Calor of 25.7 pence. As I pointed out in my letter an increase of 41.2%. I wrote to you complaining that Calor had not seen fit to reduce the price after a drop in the price of Crude by 35%.

Your reply sought to reassure me of the fairness of Calor's pricing and quoted such vital considerations as winter demand etc. which necessitated the maintenance of the 41.2%. Sure enough, once winter has passed there was notification of a price reduction - letter dated 09.04.01- 'your new price will be 24.2 pence per litre'. A stunning reduction of 5.8%. The price therefore still remains 35.4% higher than it was in July 2000.

Now we have the cost of crude at a price probably less than it was in March 00. Surely you cannot justify this sort of pricing. Winter is approaching, so are you going to argue that the increase in demand will justify the maintenance of this current price? Do not Calor buy their LPG on the price of futures, or is this beyond their capability or desire to make the most of a falling market?

What other market commodity depending on the price of raw material has shown over the last year a price hike to the consumer of 35.4%? Especially when the raw materials price has actually fallen by 35%!

'A key point in our consideration of the competition is that the retail price of LPG has broadly reflected these price movements and we have no evidence to suggest LPG suppliers are exploiting the situation...' You wrote to me on 19.02.01. I respectfully suggest that all I have said above is evidence.

Letter to CC

The only additional information that might be of help is that the high cost of heating my previous address was a major factor in our moving to a new address. In addition to the cost of the LPG for heating we also had to make use of auxiliary electric heating in order to keep the LPG cost down. We had a large electric fire and two small electric radiators in our living room to supplement the two main radiators and we often used portable electric fan heaters in other rooms to avoid putting on the gas boiler. Unfortunately, I did not keep copies of the bills after our removal in May of this year, but I suspect that my submission to OFT may well reveal the costs that we faced.

Individual No 26

Letter to OFT- 6 March 2003

Apparent complex monopoly in the supply of liquefied petroleum gas in the South East of England.

I would be grateful if you would consider the matter mentioned in the heading to this letter.

There are now few suppliers of LPG in this area, and the number of them has decreased markedly. My own experience over the last few years is that my original suppliers (called, so far as I remember, Southern Gas) were taken over by British Gas who have now sold their LPG business to Flogas. On this basis alone two companies have left the already short list of firms supplying LPG.

Broadly speaking, consumers use LPG because they are not on the mains (that is the case with us). They are therefore a captive market for suppliers.

The result is predictable. To take my case as an example, the price charged for LPG has gone up by exactly two thirds over the last couple of years. I am not of course ignoring the fact that wholesale prices have increased during that period. My suppliers, of course, blame price fluctuations, but it is particularly galling that the prices charged have never been reduced on my account throughout the time that I have been buying LPG. I do not understand the concept of prices which fluctuate only upwards!

I look forward to hearing from you.

Letter to CC 24 September 2004

It remains the case that we have no access to mains gas and the flow of price increases (most recently almost 25%) for LPG continues unabated. There are still few suppliers of LPG in this area. I have 'shopped around' but not actually changed supplier because of the hassle and obstacles to which the Commission refers.

It remains my view that the small number of suppliers to a captive market and the restrictions on, and difficulties and cost of changing supplier, prevent, restrict or distort competition, leading to unnecessarily high prices for consumers.

Individual No 27

Letter to the OFT- 12 April 2002

I am writing in regard of the price of LPG (Liquid Petroleum Gas). This fuel is essential in rural areas where it is not possible to get natural gas.

I wrote to my MP in early 2001 about the way prices were going up and received a reply from him, also a letter from the Department of Trade and Industry, copies enclosed. The price of oil rose to \$34 a barrel in September 2000 and LPG went from 17p per litre in June 1999 to 30p per litre by April 2002. All of the increases have been justified by the rising cost of oil. From a high of \$34 a barrel the price of oil fell to below \$17 a barrel at the end of 2001 but there has not been any resulting fall in the price of LPG. In a letter sent to me by Flogas (copy enclosed) a promise was made that prices would fall when oil prices fell, no reductions have ever been made.

I am in receipt of a letter dated 5 April 2002, informing me that the price of LPG would be rising again due to the high oil prices although oil is \$8 a barrel cheaper than the last time they raised the prices. I put this to Flogas and without any argument it froze the price of my LPG. Clearly there is something wrong here. LPG is an essential fuel to many thousands of people, mostly in rural areas where incomes tend to be low, these unjustified increases can impact very hard on families who are on low incomes.

This industry is not controlled by Government, unlike other essential commodities and [suppliers] are free to set prices at whatever level they like using spurious arguments to try and justify the increase. I think something needs to be done as a matter of urgency.

Individual No 28

Letter to OFT- 28 March 2003

RE: LPG prices

I enclose a copy of our letter to Flogas who we feel are imposing unjust price increases on us. Is there anything you can do to help us?

I have spoken to Ofgem, who say that Liquid Petroleum Gas (LPG) is outside their remit.

Letter to Flogas

On 30th December 2002, we were concerned when you wrote to us with some lame excuse about the cost of LPG increasing, therefore demanding a 7.7p per cubic metre, **10.75%** price increase from us.

On 18th March 2003- only 2½ months later we have received another letter advising of another 7.7p per cubic metre increase, a further **10%**. These letters are from different addresses and different personnel, is this a coincidence or two increases? Perhaps you can advise this is the same increase or alternatively two increases.

We understand that you have got a monopoly over us because alternatives do not at the present time seem to be available but we shall explore this option. It seems that you can do as you wish with pricing, but we do not feel that these increases are justified in terms of prevailing inflation (2.6%). We suspect that you are charging us for your capital investment to purchase the LPG section of British Gas. The prices of other such products have not to date been so affected by the Gulf War. We presume that you will reflect on the pricing and give further information as to why the price is currently increasing and as oil prices are currently reducing [we] expect a letter by return stating that the price of LPG is reduced. If this is not the case we expect that the price will reduce when conflict in Iraq is concluded.

We look forward to receiving reasons and **proof** of your increased costs and would appreciate it if you could advise us on where we can check the history of the '**major trading exchange indexes for LPG**'.

Individual No 29

Letter to OFT- 12 March 2004

Restrictive Practice?

I thought it was the government's intentions for the service industries to be more competitive with one another, which consequently has offered the consumer the opportunity to choose alternative suppliers for both mains gas and electricity.

The practice of LPG companies owning their storage tanks and not allowing alternative suppliers to fill them, means that the consumer is forced to remain a customer of that organisation unless they are prepared to pay a high price for tanks to be changed. This surely must be seen as a totally unfair restrictive practice?

The same yard stick does not apply to domestic heating oil suppliers, so why impose outdated regulations on the LPG market? If it is a question of tank maintenance, surely whoever is currently supplying fuel could be made responsible through their 'service charges'.

I shall be interested to hear your views on this matter.

Copy of letter to Which magazine

In the late summer of 1994, I signed a contract with British Gas to supply LPG. In March 2003 I discovered I could make savings of at least 4p a litre if I changed my supplier to Countrywide Energy. I therefore wrote to Flogas (previously British Gas) advising them that I wished to terminate my contract with them and at the same time offering to settle any outstanding fuel bill.

I was told by Countrywide Energy that Flogas would require three months notice before any arrangements could be made to change over tanks and supply my first delivery of fuel. During this period, I settled all outstanding charges with Flogas and waited for both companies to arrange a change over.

On Monday August 4th Countrywide Energy engineers disconnected the Flogas tank and removed it from the concrete base to enable their new tank to take its place. They carried out all the necessary reconnection work and left the old tank standing in my drive to wait for collection by Flogas.

After three weeks and two phone calls to the Flogas office, a lorry with two workmen craned the tank onto the vehicle within a matter of ten minutes. I thought that was the end of the operation and no further expenditure would be involved. However, I have just received a bill from Flogas (dated 25/02/04) claiming £150.00 plus £26.25 VAT for 'Equipment removal and decommission charges for tank removal on 21/8/03'.

Apart from the fact that this account has taken so long to be charged, it does seem to be a restrictive practice by LPG suppliers generally, to insist on tanks being changed over for no apparent reason and levelling unnecessary expense on the consumer. After all, I have been paying £60 a year for nine years in rental charges (the so called 'service' charge), so why remove a perfectly well maintained and safe tank installation?

If fair competition is to be made available to LPG users, it should be possible for consumers to change suppliers without all the trouble and expense that I have just experienced. As a long subscriber to Which?, I hope you can take this matter up with the Office of Fair Trading on behalf of your members.

Individual No 30

Letter to OFT

10 March 2003

I read with great interest an article in today's Liverpool Daily Post with regard to the general public adopting a keener sense of what they pay for goods and services.

Last week, on a radio programme, there was an interview with regard to the lack of competition for the supply of domestic LPG and it was pleasing to hear that this may be taken up at Assembly Level.

I have fought my corner successfully for some years with British Gas by checking other suppliers at regular intervals and it concerned me then that others not so inclined were paying dearly for an essential service for heating and cooking. I did in fact take this up with the Welsh Assembly who in turn wrote to yourselves and you kindly replied to me on March 23 2000. One main point in your letter is that it is possible for consumers not to be tied to one supplier if arrangements can be made to maintain their own bulk tank.

British Gas advised its customers on November 30 2002 that they were selling their business to Flogas UK. On December 12th Flogas wrote advising of an increase of 2p per litre due to 'Supply and Demand'. As less than two weeks had elapsed since the business change I telephoned Flogas with regard to their letter and was put through to their Wrexham area office. A lady there told me that the staff had been instructed to advise customers that Flogas prices were non-negotiable and she appeared to be rather embarrassed.

A further letter has now been received, dated February 27 advising of a further 2.5p per litre increase due to 'the fears of conflict in the Middle East'. None of these letters appear to make it clear that VAT at 5% will no doubt be added to the final bill.

Perhaps you could make enquiries on behalf of the consumers as to how we can purchase our existing tanks and whether the suppliers will co-operate in checking them when deliveries are made as is presently the case.

Individual No 31

Letter to OFT -13 April 2000

I am writing to you concerning the real lack of competition within the LPG domestic market. As a rural dweller I depend on LPG supplies and have no opportunity to 'shop' around for the best deal. One is tied to the supplier, in my case Calor Gas, and one depends on their fairness in the pricing of the supplies. For instance we have had two increases within the last four months of a total uprating of price of about 6 pence per litre. I do realise that world oil prices have increased and thus the LPG market [price] rises as well. Nevertheless one can not compare in the open market as one is tied by the supplier to their tank which one rents.

I do not doubt that one can change supplier (although there are only one or two alternative suppliers) but the complication of removing one tank (after emptying the gas) and replacing with another suppliers tank is not very easy. Perhaps it should be allowed that one could purchase the tank so that you could find the cheapest supplier of LPG at any one time? As a user of LPG one can not benefit from the competition over Electricity and Gas supplies. I can not find any package that will allow both to be supplied within the market to me.

I enclose a copy of the letter sent to my MP Mr Norman Baker on the subject from Helen Liddell MP The Minister of State for Energy. He has kindly raised the matter as you will see from a copy of his letter.

I would be grateful of your views on this matter as the energy needs of rural areas seems to be ignored.

Individual No 32

Letter to Local MEP- 29 January 2003

I would like to bring to your attention the following problem we are having with price increases of LPG gas.

We use LPG gas for heating our property, cooking etc and since August 2000 the price has risen by a staggering 90%. To give you some examples:

1. In August 2000 we were paying 14p per litre- crude oil prices at that time was 28 dollars a barrel.
2. August 2001 16/18p per litre- crude oil 26 dollars per barrel.
3. April 2002 22p per litre- crude oil 24 dollars per barrel.
4. September 2002 23.75p per litre- crude oil 27 dollars per barrel.
5. December 2002 25.75p per litre- crude oil 26 dollars per barrel.

Since we started using LPG in 1987 we have been unable to change from one supplier to another without great difficulty as this seems to be the only industry which makes it very difficult to change and in some cases impossible as there is no competition whatsoever. For example our first supplier was Presto Gas, they were taken over by Amazon Gas, Amazon were taken over by Shell Gas and at that stage because of their rising costs we rang the only other companies we know of Calor Gas who never ring you back and Alta Gas a local company.

We eventually moved supplier to Alta Gas and they supplied us with gas at 14p per litre. They were taken over by Flogas and then the prices started to go through the roof. At this time we phoned British Gas who we understood had taken over Shell Gas the reason for this move was two fold, the spiralling cost from Flogas and also by getting gas from this company we could also be supplied with cheaper electricity. British Gas promised to ring back and one week later they did saying that they could supply us with both gas and electricity, but would have to ring us again to confirm all of this, we are still awaiting the call and we now find out that British Gas has been taken over by Flogas. We feel most strongly that LPG domestic users are not getting a fair deal, the letters and correspondence that we have received always points to the direction of crude oil prices being the most determinant factor in the price increases of gas, but this is not borne out by the figures above.

I hope that you may be able to assist us in this matter or at the very least contact someone who could look into this situation as I have tried numerous people in the past.

Individual No 33

Letter to local MP – 26 June 2000

Changing supplier of LPG is not an easy matter- our storage tanks are underground and if we wanted to change supplier these tanks have to be dug up and the new suppliers tanks installed. I can't think that when you change your electricity supplier the old and new suppliers come and tear out all the wiring to the meter and install their own. So as you say having to change tanks each time makes changing near to impossible and I cannot imagine any supplier of this substance would be willing to use a householders own tank not knowing what condition they might be in.

The fourth paragraph of the letter from the Director of Fair Trading dated 12 June 2000 states, and I quote 'LPG has to be transported in small quantities by tankers'. British Gas encourage even smaller deliveries by trying to persuade their customers to join their top up service which means the tanker calling at regular intervals to deliver minute amounts of gas to already full tanks. Customers like myself who order when we require it are told that we may have to wait up to ten working days. The top up service is particularly annoying at the end of spring when the tank amount is low but gas is then only used for cooking and water heating. If I allowed them to fill up I could be sitting with £500 of gas in the tanks [and British Gas' bank account] in April and no significant amounts used until the autumn.

Just in passing Transco are currently putting a mains pipe through some very pretty countryside [including I believe National Park land near the Sugar Loaf] near Abergavenny—it seems no expense is spared and no remote area too remote to put their pipe work through to reach more lucrative areas no doubt- but bringing it up to a small village is just too much trouble.

While writing I would like to thank you very much for putting so much time and effort into this matter. Rural areas seem to be taking a beating in all sorts of ways and it is good to know that we have someone who is standing up for us.

Individual No 34

Letter to Consumer Protection Office

12 January 2001

I have long since believed that there is a cartel operating in the supply of LPG. Many years ago when I was farming I tried to find alternative suppliers for my then supplier BP. At the time I was met with vague excuses and was generally fobbed off but I got no serious reply. However, the coordinated and similar manner of the replies at the time led me to be suspicious.

Some years ago I tried to purchase two one-tonne LPG tanks and was met with a similar wall of lies and intrigue related to safety, which I knew to be a smoke screen.

Last year I sent the enclosed letter to the four suppliers of LPG in the Aberdeenshire area, Gauld and Son, Calor Gas, Johnstons and Macgas, asking for a quotation.

I received no written responses, but did get a telephone response from my existing supplier who offered a reduction in price, which subsequently never materialised.

I am now fully convinced that in one way or another, suppliers of this product operate a protective cartel in a way that is clearly not in the interest of the consumers. May I ask your office to thoroughly investigate this practice and in time I would be interested to receive your findings.

Individual No 35

Letter to Local MP - 1 December 2000

The information contained within these letters has been most helpful and I now have a better understanding of the background as seen from the DTI and the DG of Fair Trading.

I understand the points raised regarding the international market for crude oil and clearly there is very little that can be done about this from the viewpoint of the local consumer, but I do think that competitiveness is not helped by the existing arrangements regarding tank rental. In his letter, John Vickers referred to a review of competitiveness carried out in 1998 which concluded that tank removal costs were equal to, or less than, the costs experienced by the supplying companies. I have no doubt that this is correct but I pose the question as to why tank removal is necessary when a customer decides to change supplier. I understand all the points raised about safety but given the statutory requirements placed on all supplying companies, why can we not have an arrangement whereby a new supplier takes on the leasing and maintenance aspects from the outgoing supplier? After all this is common practice in the petroleum industry whenever there is a change of ownership of a petrol station.

I believe that the whole process of changing tanks whenever there is a change of supplier is archaic and does nothing to help competitiveness. Most customers when faced with a total cost of approximately £200 for changing a supplier, will decide to 'stick it out' with the existing supplier. The suppliers know this and I believe that they have little incentive to change the arrangement.

Since I wrote to you initially, I have contacted British Gas/Transco regarding the feasibility of installing natural gas. The initial view is that it may be possible and as I write they are carrying out an economic evaluation which will be finalised in Spring 2000. I will keep you informed of the outcome.

Individual No 36

Letter to Minister of State, 19 April 2001

Our grievance is that it is not easy to change, as it is with natural gas, electricity or even oil, because the supplier of LPG owns the tank, which in effect creates a monopoly.

If we wish to change to another supplier, who then has to deliver and install his tank, we have to pay £170 plus VAT per vessel containing gas – we receive only 50% refund for gas left in the tank and £40 plus VAT per empty vessel (less than 2% full), to remove the British Gas tank. This plus all the hassle, an exercise you would not wish to do very frequently.

With oil the householder owns the tank and can change supplier immediately with no hassle whatsoever.

I am not suggesting the householder should own the gas tank and relative control valve etc – due to hazards and safety issues that do not apply to oil, but could this not be owned by the LPG industry, where the tank could be filled by any supplier – creating ‘fair competition’ – not a monopoly for the consumer – in the words of politicians ‘creating a level playing field for users of all fuels’.

Also why do we have to sign agreements/contracts with our supplier with issues to comply with and a lot of small print?

All we wish to do – with all other fuel users – coal, natural gas, electricity, oil – is to heat our water and keep warm.

For what other commodity do we have all this, we can even purchase containers of LPG from the local garage without this involvement.

Again, thank you for your letter – LPG was not my choice, it was with the property on purchase, but following dealings with British Gas over the last 12 months I am seriously considering oil as an alternative.

Individual No 37

Letter to Director General of Fair Trading

29 December 2000

I would refer to your letter of 3.11.00, addressed to The Rt Hon Howard Flight MP, a copy of which he has forwarded to me.

I have heard from Mr Semple at Department of Trade and Industry. Mr Semple advised me that Office of Fair Trading had reviewed the arrangements for the supply of LPG in 1998 and had come to the conclusion that the contracts were not anti-competitive and were in any case cancellable on one months notice.

I am obviously not familiar with the specimen contracts that the LPG industry showed you in support of their case. I suspect it was for the use of large gas cylinders and it bears not the slightest resemblance to what is in fact in use.

I enclose a copy of my own contract, for an underground tank which is normally specified for new properties. You will see (paragraph 2.2) that it is not cancellable for five years and only on three months notice thereafter. Furthermore, should either side cancel after that, Shell can come and remove the tank at the client's expense.

Furthermore, you will see that paragraphs 3.2.5(I) and 3.2.5 (VI) actually prohibit me from purchasing gas from anyone other than Shell Gas.

I have approached other suppliers and one (Calor) let slip that they have agreements with Shell Gas, who is the principal supply agency, that they will not put gas into each others tanks, despite the fact that the fittings are compatible.

More and more of these tanks are being installed in rural areas, due to the very low charge (£100) that Shell make for the entire supply and installation. The purchaser of the property is then totally captive – British Gas not being available and an oil system requiring a complete and very expensive rebuild.

In the 18 months since we moved here, the cost of LPG has gone from 17.5 pence per litre to 24.5 pence per litre, and this is in spite of the fact that I forced the withdrawal of a further interim increase in January 2000. This is a 40% increase and there is no sign of a reduction, despite tumbling oil prices and obscene profits for the oil companies.

Let me make very clear, I am not complaining about the laws of supply and demand operating – I am, however, complaining about the way in which I am being held to ransom by a major oil company. Would you, for example, be prepared to sign an agreement that compelled you to obtain your petrol from a particular garage and enabled them to repossess your car if you went elsewhere?

I would ask you to examine the enclosed contract carefully and I shall be very surprised if you do not consider it to be anti-competitive and of marginal legality. It is also totally one-sided, with four short clauses protecting my interest and three closely printed pages looking after Shell Gas.

This situation is a total monopoly and is being abused – the price of crude oil for example, is down around \$22 per barrel and LPG (and petrol too!) does not come down – the oil companies even ‘absorbed’ Gordon Brown’s recent tax reduction!

Attachment

By way of background, you might well wonder why anybody would be stupid enough to sign such a one-sided agreement.

We had an agreed sale on our house, to returning ex-pats, and made an offer on this one. It was a new build (in-fill) in an area without mains gas. Our offer was accepted and all was going ahead when the builder produced the Shell Nautilus agreement for us to sign. At that late stage – contracts exchanged on our own sale – we were hardly in a position to argue. The tank, piping and boiler were installed and running by then.

The information I have since gathered is obviously verbal but all from involved parties by way of a ‘slip of the tongue’.

The builder: ‘Shell dig the whole groundwork, including the tank excavation, and install tank and pipe work up to the house for £100. Oil companies make no such offer’.

Calor Gas representative: ‘It is a Shell tank – we cannot supply because of the ‘LPG Supply Agreement’ – when questioned he said that ‘we all agreed not to put gas in each others tanks’.

Shell Gas representative: ‘If you breach the contract we shall remove our tank as per the contract – possibly £1,500’. *More recently:* ‘The agreement is for 5 years but the conditions remain in force after the expiry – indefinitely!’

I enclose a page from Shells own brochure – possibly intended more for the building trade than a house owner – as you can see a fairly large undertaking for £100!

There is a quarterly rental for the tank itself – 5 years ago it was £16 per quarter – currently it is £19 plus VAT – an increase of 18.7% on the basic price, plus of course the VAT.

The price of the gas 5 years ago was 17½p per litre. We have actually had no delivery during the summer months as the tank was full at the start. The price at that point was 26p which is an increase of just under 49%. It has, from memory floated up and down, being a little higher at times. Shell has kept a very discrete silence during the summer but we all know what has happened to the price of crude oil in recent weeks. It is beyond doubt that the temptation will be irresistible, and we will be faced with a huge increase. (Increased a further 2½p 14/5/04. This brings it to 28½p – increase of 63% in 5 years.)

The reason for anger and frustration is very simple. People are not tied to long term fuel oil contracts, by Shell or any one else. I simply wish (and should be able so to do) to get my gas at whatever price and whatever supplier I can. There is no other domestic fuel subject to this disgraceful rigged market. I have been paying nearly £80 per year rental on a tank over which Shell exercise sole rights over what is put into it, and would wish to continue to do so permanently.

A possible solution would seem open – Shell at the end of the 5 year period should offer the tank to the customer for a nominal sum. This would open up the market to new suppliers who currently find impossible to enter due to the high initial installation costs, lacking the financial muscle of Shell.

I wonder what the reaction in the media would be if British Gas prices went up as often as this!

Letter to OFT

I had recently written to Shell Gas to find out the future procedure. This produced an odd, slightly menacing, phone call, to the effect that the provisions of the contract (despite its very clear 5 year term) applied indefinitely.

Failure to continue would mean removal of the tank with the attendant disruption to supply and garden. I asked if, in the eventuality that I lived for another 30 years here, Shell would still expect to be the sole provider of LPG – the answer was a firm 'yes'. A reference was also made to the fact that no other supplier would fill the tank for me, due to the 'LPG Agreement' – the existence of which they have always denied.

I then suggested I would purchase the tank from them and said that I was not prepared to discuss the matter over the phone – and insisted on a written reply – still awaited!

The last time these contracts were scrutinised I strongly suspect that the government were shown a contract for a totally different type of 'gas tank' – the very large removable bottle – about 5 feet high in pairs – one of which is replaced by long as it becomes empty.

The one that should be looked at is called 'NAUTILA' and is the tank, normally buried in the front garden of new property. Those for fixed above ground tanks are clearly labelled as such.

Individual No 38

Letter to OFT

27 February 2001

In June 1996 I entered into an agreement with Calor Gas to supply me with bulk LPG.

As part of the gas supply arrangement Calor Gas provided a 1000 litre bulk tank which is installed on my property and for which I pay a rental of £54 per year.

Over the period of the last 8 years Calor Gas have increased the cost of their gas by 75%. Bearing in mind our agreement was at an end I wish to make use of an alternative and less expensive supplier of LPG.

I am now advised Calor Gas will not permit their bulk tank to be used for the storage of LPG unless, the gas is purchased from Calor Gas.

With due consideration to the foregoing facts would the Office of Fair Trading agree, the restrictive use of the bulk tank by Calor Gas amounts to unfair trading practice?

As you may be aware liquid petroleum gas, its supply and use is an unregulated part of the gas industry and therefore not within the remit of the Regulator Ofgem, or the Gas and Electricity Consumer Council.

Letter to Competition Commission

21 September 2004

Thank you for your letter dated 20 September 2004.

Further to the above inquiry you may consider the following comments have some relevance.

Since May 2004 my supplier (Calor Gas Ltd) has increased the price of LPG by 5.35 pence per litre (excluding VAT) with the current price being 29.75 pence per litre (excluding VAT).

For comparison on 1 September 2004 I requested from British Petroleum LPG a quotation for LPG bulk delivery and received a price of 27.45 pence per litre. You will appreciate I am not allowed to store alternative suppliers LPG in the rented bulk tank owned by Calor Gas Ltd.

Notwithstanding my previous correspondence it remains interesting to note, Calor Gas Ltd charge a bulk tank rent cost of 16.44 pence per day (excluding VAT). The present tank is installed on my property and has received no maintenance since installation in 1986.

I cannot recall the rental details for the tank however, by preventing its general use for the storage of LPG I am prevented from securing the best price available.

I make the point, if rent is paid for a storage facility it is reasonable to expect the right to use the facility for the purpose intended without restriction of the present kind.

Individual No 39

I thought the Commission might be interested in the following chain of events.

As the price of Calor LPG has now reached 26.75p per litre I thought I would invite quotations from other suppliers. I could only find two who would supply my location—Countrywide Energy and Flogas.

Countrywide offered me a price of 20.8p per litre—over 20 per cent less than Calor; Flogas said they would ask their sales rep to call me—he has not done so.

I advised the Calor Gas sales manager I deal with of the price I had been offered and he said he would ask his rep to ring me. He declined to give me this rep's telephone number on the grounds that he was very busy. After a week without hearing, I rang the sale manager again to advise him that if I didn't hear from the sales rep during the course of the day I would commence the procedure to change supplier. It's now 5pm and I have not heard from him. Apparently Flogas are not interested in my business which seems surprising—maybe there is some understanding amongst certain suppliers to discourage customers from switching. It's certainly a lengthy process which requires the customer to give three months notice to his present supplier before the bulk tank can be changed. Why the tank has to be changed is not clear to me as I imagine its replacement will be the same size and the same specification. May be its part of the game to make switching difficult. Three months notice also seems excessive to me.

I have a meeting with Countrywide next Monday to begin the process of changing, but of course it may be that in three months time the Countrywide price will be higher than Calor's! Life is not easy for LPG users.