



BCC Response:

New Proposals to provide small businesses with better protection in the energy market

May 2009

About the British Chambers of Commerce

The British Chambers of Commerce (BCC) is the national voice of local business; a national network of quality-accredited Chambers of Commerce, uniquely positioned at the heart of every business community in the UK. The BCC represents 100,000 businesses of all sizes across all sectors of the economy that together employ over 5 million people.

Introduction

The BCC welcomes the opportunity to respond to the consultation on new proposals to provide small businesses with better protection in the energy market. We believe that within the energy supply market, the services available to small business is very poor and smaller business are in a disadvantaged position to deal with energy suppliers.

Summary

The BCC is in agreement with the key provisions proposed by Ofgem to help small business customers, as they are positive steps in moving forward to create a more competitive and consumer friendly energy market. We are very supportive of the ban on automatic roll-over of fixed term contracts and the extension of the accreditation scheme for switching sites to cover those dealing with small business. However, businesses believe that this is one of many steps in the reforms that need to be made, and Ofgem needs to play a key role in enforcing these changes and protecting the rights of small businesses. This is necessary if Ofgem seeks to promote a thriving competitive environment and consumer interests in the energy supply market.

The BCC recommends

- Extending the rights of domestic consumers in the energy market to non-domestic small business consumers;
- The creation of a Government website that provides information such as average business price against usage and other material relevant to small business customers in the energy market;
- Focus on directing business to Consumer Direct when business experience difficulties and issues with their energy suppliers; and
- The Government must push for improvements in small business energy contracts, particularly focussing on providing more flexibility for small business customers.

BCC Response

High energy costs are just one of the many challenges that small and medium sized businesses face in the current economy and all effort should be made to eliminate unnecessary energy costs to businesses

Ofgem's measures to boost the protection of small business consumers within the energy market are very useful. However, these proposals need to be implemented in conjunction with measures to ensure that small businesses have access to impartial, clear and reliable information, so that they can benefit from competitive deals. Businesses also need to be able to rely on Ofgem when they experience difficulties or disputes with their supplier, as small businesses do not know where to turn when they are experiencing such issues.

Contracts

Businesses are frustrated with being locked into expensive and inflexible contracts that fail to meet their energy needs. Businesses also find that there is a lack of competitive rates at renewal and the process of switching can be very time consuming and difficult.

In order for businesses to take advantage of a competitive energy market, there needs to be more flexibility in their contract terms. For instance, 90 days written notice is usually required in order to change an energy supplier however, business only receive the necessary paperwork 100 days prior to the renewal date, leaving insufficient time for businesses to explore their alternatives.

SMEs also have limited resources, and therefore do not have the time to read over the terms and conditions of their contracts. It would make sense if the terms and conditions were presented in a clearer and shorter form, such as a 'key facts' document that outlines unit price, length and termination, terms of contract and fixed facility costs.

Inaccurate billing

A great concern for business is the issue of inaccurate billing. This is an area in which businesses feel that Ofgem can do more. When trying to rectify this problem, small business customers find the process to be very difficult and time consuming. In addition to being inaccurate, energy bills are also not up-to-date. There are cases where businesses have had to chase energy suppliers for years to try and get accurate and up-to-date information about their energy bills. Small businesses do not have the resources chase their energy supplier.

In many circumstances billing errors are the fault of the supplier, and businesses should be compensated for wrong or severely late bills. Also there should be a time limit when companies can be back-billed or re-billed where the fault lies with the supplier. This would be a good incentive for energy suppliers to improve their billing methods, while providing reassurance and better protection and security to small business. Businesses need their energy bills to be up-to-date and accurate in order to monitor their cash flow, which is crucial in these economic times.

Energy Meters

In order for small businesses to benefit from the best energy deals as possible, it is important that they are using the right meter and that they know how to read it correctly. Businesses are currently being charged for significant amounts of energy

that they are not using. It is crucial for businesses to be informed on the ways to minimise costs such as checking that they are using the correct meter. Small business should be provided with energy bills that have clear, upfront information and that shows how their charges are calculated.

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ENDS.

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