



**RESPONSE FROM THE
FEDERATION OF SMALL BUSINESSES (FSB)
TO THE
ENERGY SUPPLY PROBE – PROPOSED REATIL MARKET REMEDIES**

The Energy Supply probe – proposed retail market remedies

Helping small business customers

The FSB welcomes the opportunity to comment on the Energy Supply Probe's proposed retail market remedies.

The FSB has for some time campaigned for recognition of the special position of small businesses in the energy market, as energy has been particularly high on the small business agenda over recent years. Small businesses are already under particular strain in a volatile energy market and this is coupled with unclear pricing policies and poor standards of service from some gas and electricity suppliers.

Small businesses behave in a similar way to domestic energy users, in terms of lack of expertise and levels of energy consumption; but do not enjoy the regulatory safeguards that domestic users receive. A 2008 poll of our membership on energy supply issues highlighted a number of problem areas including:

- Complex bill formats
- Infrequent meter readings
- Incorrect billing
- Poor customer service
- Lack of information on switching suppliers
- contract terms lack transparency
- direct selling methods

We are grateful that the consultation document recognises many of the problems facing the small business consumer.

Helping small business customers - the proposals

We believe the Probe's decision to focus on 'micro businesses' is right since these are the firms that have been particularly subject to unfair practice by energy suppliers.

Increasing availability, clarity and transparency of information

We welcome the recognition that the clarity and transparency of information, including full tariff details, provided by the energy suppliers is critical in ensuring a level playing field between small business consumers and suppliers.

Many small businesses lack the expertise to negotiate contracts and, in the FSB view, are penalised by energy suppliers because of their limited purchasing power, relatively low energy consumption and unpredictability of their demand. Again, this highlights the need for action to address the problems unique to small businesses, as they lack the expertise of large businesses and the regulatory protection afforded to domestic consumers.

Small business can fall victim to heavy handed suppliers who exploit any lack of expertise and resources in handling complaints and disputes over billing issues. The use of call centres makes the process of dealing with a supplier doubly difficult due to the lack of access to senior management and the impersonal nature of these centres. Suppliers are also quick to resolve disputes by using bailiffs and similar methods to intimidate small businesses into settling an issue swiftly.

We particularly welcome the proposal for suppliers to provide a summary of key terms and conditions prior to a contract being agreed. We would like to see such summaries written in a clear and concise manner that is standard for all energy suppliers and policed by OFGEM.

We are also glad to see the proposal that energy suppliers should contact in writing their client towards the end of the contract period to make them aware that the contract is due to end and what actions need to be taken to agree a new contract or to switch supplier. The FSB believes it is essential that clear information is provided in advance regarding any change in the rates small businesses will be charged should they go out of contract (deemed rates). There should also sufficient

time for decisions to be taken in relation to accepting a new contract or switching supplier by the small business client.

We support OFGEMs' view that the above proposals should form part of the supplier's license arrangements as opposed to come form of self-regulatory solution.

Eliminate ability for contracts to be automatically rolled over

We welcome the proposal to remove the suppliers' ability to automatically roll over fixed-term contracts. This has been a practice that has long blighted small businesses relationships with their energy suppliers. We are also grateful for the proposal to ensure that customers are made aware of any higher charges they may face if they switch to a new contract or are out of contract. We would like to see OFGEM propose that at least 6 weeks notification must be given prior to the end of the contract for the provision of this information.

We support the proposal for a new license requirement to be introduced which makes clear the circumstances when a supplier should be permitted to object to a customer transfer after a fixed-term period is over.

Accreditation scheme for non-domestic switching sites

Lack of supplier comparison data is a key problem area and anecdotal evidence from FSB members supports this assertion. Clear and accessible information is essential to ensure consumers can make informed choices.

We therefore welcome the proposal for OFGEM to work with Consumer Focus towards extending its accreditation scheme to include internet comparison and switching sites for non-domestic energy consumers.

Strengthen code of practice for Third Party Intermediaries

We particularly welcome the proposal for TPIs to be required to explain before a customer signs any contract 1) how they are funded and 2) which suppliers are covered by their brokering services and the requirement for them to demonstrate robust and transparent business practices.

Conclusion

We welcome the Energy Supply Probe's attention to the problems faced by small businesses in relation to their energy suppliers. However we would urge OFGEM to set a timescale for the suppliers to agree to the proposals to ensure the lack of balance in the relationship between suppliers and small businesses is rectified as soon as possible. We believe this timescale should be 4 months from the close of the consultation process. Also, once the proposals have been finalised and put in place, we believe it is essential for OFGEM to review how the changes are working in practice to ensure that small businesses get the fair deal they deserve.

Francis Wood 28.5.09