

# REPORT

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## **Small and Medium Business Consumers' Experience of the Energy Market and their Use of Energy**

*Prepared for:*



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*Authorised Contact Persons:*

**Judith Lawrence**  
*Associate Director, Business & Industrial*  
0161 615 2300  
[jlawrence@harrisinteractive.com](mailto:jlawrence@harrisinteractive.com)

**Steve Reiman**  
*Head of Qualitative UK*  
0208 263 5200  
[sreiman@harrisinteractive.com](mailto:sreiman@harrisinteractive.com)

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## Executive Summary

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Ofgem commissioned this research as part of its Consumer First programme to provide insight into SMEs' (Small and Medium Enterprises) use of energy and their experience of the energy market. The study covered the three main segments of the SME market, namely micro, small and medium businesses<sup>1</sup>. A total of 90 businesses were interviewed during the research process, 38 Micro, 37 Small and 15 Medium; these organisations covering a range of sectors. The discussion covered usage of energy, relationships with suppliers and demand management.

### **MICRO Businesses: A Synopsis**

Micro respondents were the least likely to be engaged in the energy supply to their premises and were happy as long as their equipment works. They are concerned about the increasing cost of energy, particularly in the current climate and are looking to reduce their expenditure both through using less energy and sourcing a cheaper supplier. Generally, Micro respondents are more easily confused by the options available and are more likely to behave as domestic customers when looking for a new supplier.

Micro respondents are less likely to use a broker for finding a supplier, partly because they do not think there are sufficient savings to be made, and partly because they perceive an additional layer of cost.

More than half of Micro businesses know or believe they have a contract, while those who believed they were without a contract felt the freedom was to their advantage. Less than half had switched at last renewal, however, most had received a renewal notice (more so than other target audiences).

Micro businesses were the least likely to be investing in energy efficiency, although they were often conscious that they should reduce usage. Some would like more independent, impartial advice on how to install the most energy efficient lights and air conditioning.

Micro businesses try hard to think of ways they could be more energy efficient but have little money or time to invest in this. As with the other business sizes, any advice offered needs to come from an impartial, and ideally a government, source.

### **SMALL Businesses: A Synopsis**

Compared with Micro, Small businesses were no more or less likely to use a broker, have a contract or have switched. The difference is that small businesses do have larger bills than Micro, so do make more effort to understand the market. However there is still considerable scope for suppliers to be more transparent and easier to compare.

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<sup>1</sup> Small and Medium Enterprises are defined in this research as:

Micro – 1-10 employees (turnover of less than £2 million)

Small – 11-50 employees (turnover of less than £10 million)

Medium – 51-250 employees (turnover of less than £50 million)

Similarly with demand management, there is a feeling that there is willingness to conserve energy, however, as with Micro the majority do need help and advice on the best way to reduce usage. A main difference with Small business is that the respondent is often not the decision maker in the business so any energy saving initiatives or investment would have to be approved at a higher level.

### **MEDIUM Businesses: A Synopsis**

Medium sized organisations had much higher actual bills with amounts of £100k+ per annum quoted. Although this is a small proportion of overhead, some respondents recognised that if they could save even 1% of that it was a substantial sum off the bottom line.

Nearly all Medium businesses had a contract and they were much more likely to have switched suppliers and to use a broker. They were also more likely to have multiple sites and often multiple suppliers for different sites, making the role considerably more complex with different contracts to arrange through the year. One site engineer's business had negotiated a contract with one supplier but each of his 10 premises had different start dates.

A minority of Medium business respondents were interested in generating their own energy, although as with some Small businesses, the respondent is not the decision maker for this sort of investment. A few had looked into generating their own energy in detail.

One, a city centre premises felt the cost / payback period was excessive and it would be difficult to get planning permission and so had not taken it any further, while another, a rural premises was seriously investigating solar panels for their head office and felt the MD would approve it as the cost was actually less than anticipated.

An example is a tourist attraction who had investigated incorporating a wind turbine into their premises but stopped due to concerns over reliability/sufficient wind levels to produce the required energy.

A further example is a logistics company who had also seriously investigated the possibility of a wind turbine but was advised by the local council that due to their premises' proximity to residential areas the plans would be required to go through public consultation which could have taken two to three years. This business made the decision that they did not have the time to invest in the initiative.

Another difference was that some Medium businesses knew they had to be ISO 14000<sup>2</sup> compliant, which heightened their awareness of energy consumption and efficiency. This means they have certain standards to meet which impacts on their behaviour. As a result

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<sup>2</sup> The environmental management standard ensuring businesses identify and control the **environmental impact** of its activities, products or services, improve its environmental performance continually, and to implement a **systematic approach** to setting environmental objectives and targets, to achieving these and to demonstrating that they have been achieved

some Medium businesses consider that Ofgem should be involved in encouraging suppliers to provide sustainable energy.

### Overview of findings

In the current economic climate, all SMEs are **cost conscious** and **price** is a primary driver of their choice of supplier regardless of business size. Energy is usually a small part of a much wider role of the individuals interviewed and is a relatively **low engagement area**, often not a high priority, except where it is a high proportion of overhead. There is a general feeling that prices are too high, it is difficult to compare different tariffs and too much time is needed to ensure they are getting the best deal.

Energy suppliers are on the whole seen as undifferentiated offering in essence a commodity. However perceptions of suppliers can often be negative, with spontaneous claims of **profiteering** and a **lack of proactivity** when it comes to contract renewal, rollover or issuing of renewal letters. Moreover businesses feel there is invariably **insufficient transparency** re: bill management, tariff rates and contract terms.

The **bill** is often one of the main ways that these consumers come into contact with their supplier and their view of suppliers is partly formed on this basis; this being assessed in terms of timeliness, ease of understanding and the monetary figure on bills. The bill is often found to be difficult to understand, with some customers wanting to see the tariff they have agreed to and the amounts used. Ideally the start and end meter reading should be clearly shown so that they can easily understand and check the bill. Some respondents have made an effort to understand the bill but many simply glance at it and file it. This can hide errors as well as contract rollovers.

A minority of Micro and Small businesses in this sample use a **broker**, along with around a third of Medium sized organisations. The main benefits identified, mainly by those who use brokers but also by some who do not, were that the broker does help the business to save time and hopefully get the best deal. The broker should also have knowledge of the market and be able to advise the business on length of contract and tariff, and be proactive at renewal time. Very few businesses had thought about how the broker is paid assuming the supplier pays the cost to the broker.

There is widespread uncertainty about the existence of a **contract**, with some assuming they must have one. Other, particularly long term, customers did not believe they had a contract at all. Expectations for a contract, amongst all business sizes, were that they should have one and that it should include the tariff (or tariffs), the contract period, the renewal window and importantly the start and end date. Those who did have a contract said this key information was often missing.

**Contract rollovers** are a concern and had caught some customers unaware, although some examples date back several years. However this is not something they forget as they are tied in for up to-three years on overinflated tariffs which are sometimes double or even

triple the previously arranged tariff. In instances where this had occurred, respondents felt strongly that they would not use that supplier again. Suggestions were made that they should not be tied into the new tariff for such a long time but should instead be on a 30 day notice. The supplier should also offer the best quote initially and not be allowed to revert to a high tariff.

There is some evidence to suggest that an increased number of Micro businesses are receiving **renewal notices** through the post. The position is less clear with Small and Medium businesses, however. Most of these seem to either receive a renewal notice, or have made a diary note themselves, or are alerted by their broker. However, amongst many businesses their experiences suggested the renewal window could be wider. At least a month, with the renewal notice received at the beginning of the month, was considered acceptable as a minimum. While many businesses (including micro who do have a protection in respect to the renewal period), had seen windows of this length or in some cases longer, some small businesses complained their window was only two weeks. Further it was felt that the supplier, if they do not hear from the customer, should make more effort to remind them of the renewal (via e.g. a phone call) rather than letting the contract rollover.

In general there is a feeling that suppliers should be more **honest** and **proactive** in the whole area of contract rollover and renewal.

The majority of Micro and Small businesses did not **switch** suppliers at last renewal. They see little difference between suppliers and are usually able to arrange a better deal with the incumbent supplier. Where they did switch (including over half of Medium), this was generally very straightforward. There is some evidence that the incidence of switching might be higher where brokers are involved. There was no evidence to suggest that businesses had faced barriers from existing suppliers when trying to switch during renewal period.

Very few of the businesses in the sample had experienced **backbilling** in their business lives, and where they had they had been able to negotiate reductions or at least interest free payment periods with the suppliers. The concept of backbilling, was, however intensely disliked, being described as 'unfair' and 'diabolical'. Incorrect bills are thought to be the suppliers' mistake and therefore their responsibility, not the customers'. A linked problem raised spontaneously by some was **overpayment**, sometimes involving large sums of money. The supplier can be slow in providing repayment.

A small minority raised specific concerns for Ofgem, around:

- The security of supply in the future, and the need for sustainable supplies and / or secure storage of gas
- The lack of competition in the market

**Managing demand** was an area of interest driven primarily by the need to make **cost savings or reduce consumption** given the prevailing economic climate. They are already changing behaviour to save energy (i.e. money) and some respondents claimed to spend time switching off lights or equipment etc when going home. Very few, however are actually making significant investments in the building.

In general they cannot see how to save more energy, and while most would be happy to have a review of their energy usage, they cannot see what recommendations could be made. The preference amongst respondents was that external bodies who reviewed their energy usage would have to be an independent or government body and the review provided free of charge. Whilst quite a few were aware of the Carbon Trust, less were aware of what their actual role was or how they could precisely help. There needs to be more emphasis on **what benefits they can offer** as there is certainly latent interest, and many would accept more help. This could be, for example, in the form of reviews and learning about loans but perhaps more importantly about grants as the key barrier to businesses investing in more costly measures to reduce energy consumption, particularly micro and small, is the perceived high upfront cost and the fact that they do not have the money available to fund this.

A minority do have **Smart Meters** installed. Medium and Small businesses were more likely to have smart meters, but a handful of micro businesses claimed to have them also. They welcomed the automatic meter reading facility as a way of avoiding estimated bills but nearly all who did have them could not envisage monitoring their usage, it just is not a sufficiently important part of their role as an individual. However there was some minor interest, across all business sizes (largely due to the general attitudes and engagement of the respondent; additionally for some medium it was a requirement for these businesses to comply with ISO14000 standards), in being able to **monitor and control usage** through web analytics offered through smart metering, but this benefit needs spelling out more to increase interest.

The concept of **generating their own energy** was more of academic than genuine interest, and the majority quickly found barriers, not least of which were cost, slow return on investment, and the lack of knowledge of the benefits. A small number of medium organisations were looking at sustainable energy in the form of solar panels. There is a need for **education on the benefits** and drawbacks, as well as a greater contribution to costs for this to work.

In principle few businesses were averse to the principle of **Demand Side Response**, but few could see in practice how they could adjust their usage. Many office based organisations closed by early evening, whilst micro corner shops could not shut down in the evening or turn off their coolers as they would lose money. However a minority of manufacturers felt they could shift processes slightly to avoid peak demand hours. There is a concern that their domestic bills would go up if evening tariffs are introduced.

To summarise, the main issues are:

- Lack of **clarity of tariff structures and bills**, and to ensure the contract includes the agreed tariffs, the start and end of the contract
- **Contract rollovers and renewal letters** from suppliers could all be improved in terms of clarity of communications, notice periods, minimal tie-ins whether more clearly communicated. Suppliers need to be more **proactive** to help customers.

- In terms of **managing demand**, there was a desire and requirement for **greater education** on the benefits of using smart meters to encourage more businesses to monitor their usage or have it assessed to help reduce their consumption. There was also appetite for greater information on the benefits of self-generation of energy and the practicalities of taking it up. Some medium businesses believe more sustainable energy should be developed on the supply side rather than the consumption side.
- **Demand side response** was not an easily understood concept upon initial consideration, although upon explanation comprehension was fairly good. When appreciated, businesses believed they could make little impact. So once again more education is needed, together with individual assessment of businesses to recommend ways of adjusting demand.



## 1. Introduction

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### 1.1 Background and the Need for Research

As the regulator for Britain's gas and electricity markets, Ofgem's principal objective is to protect the interests for consumers, present and future, where-ever appropriate by promoting effective competition. Ofgem also plays an integral part in the Government's carbon reduction targets and there are a range of measures and initiatives within the energy sector to support these aims.

As part of its continued monitoring of the energy market for small and medium enterprises, Ofgem is looking to gain further insight into these consumers' experience of, and engagement with, this market. In its Retail Market Review (March 2011) Ofgem considered several issues including the effect of the introduction of new protections for micro-businesses (following its market 'Probe' in 2008) and the role of brokers in this part of the energy market. Ofgem is also looking to understand more fully a number of other issues in the SME market.

The Climate Change Act 2008 set legally binding emission reduction targets for 2020 (reduction of 34 percent in greenhouse gas emissions) and for 2050 (reduction of at least 80 percent in greenhouse gas emissions), and introduced five-yearly carbon budgets to help ensure those targets are met. The Department Of Energy And Climate Change (DECC), working with other departments, has responsibility for the transition to a low carbon economy, while ensuring that the UK benefits from the business and employment opportunities this brings.

DECC is encouraging organisations to reduce their emissions and embrace these opportunities through setting regulations, establishing market-based mechanisms, providing incentives and ensuring the provision of information, advice and support. This helps to stimulate the development of low carbon goods and services and promote their uptake throughout the UK.

The small and medium businesses sector (SMEs) plays an important part in this process and will contribute towards the achievement of targets. It is important to understand therefore how these organisations use energy, how they manage this usage, their experience within the market and importantly, how their energy demands in the future might change and fluctuate as well as their attitude towards energy saving.

## 2. Research Objectives

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### 2.1 Overall objective

The overall objective that the research aimed to address was:

*‘To understand the attitudes and behaviours of small and medium business customers in relation to their experience of the market and their future energy usage’*

### 2.2 Specific Objectives

Specifically, the research was designed to address the following objectives as outlined within the brief and expanded upon here;

#### **Energy Usage**

- To explore SMEs’ current **usage** of energy and how that varies over time
- To understand how energy fits as a proportion of SMEs’ overall **overheads**

#### **Experience of the Market**

- To explore the range of **energy contracts** SMEs are aware of and currently using
- To establish how **suppliers** are chosen and which are currently used, including the role of the broker
- To determine the length and extent of **current relationships** with suppliers
- To understand experiences of the **renewals process** with current suppliers, particularly the contact from the current supplier at renewal time.
- To explore attitudes towards **switching** and past switching behaviour
- To examine the clarity of contracts and experiences of **contract rollovers**
- To identify any experiences of ‘**backbilling**’

#### **Demand Management**

- To understand SMEs’ awareness of and behaviour in relation to **managing their demand** (exploring any barriers)
- To establish any **new technologies** considered or invested in over the last year
- To understand SMEs’ awareness of and behaviour in relation to **smart meters**, particularly whether smart meters have helped the management of energy use
- To explore current awareness and usage of sources of **advice and support** and measure satisfaction with any advice sought
- To examine awareness of and attitudes towards small-scale **generation of heat and light**.

#### **Demand Side Response**

- To establish awareness of and attitudes towards **demand side response** initiatives (specifically focusing on likely take up)
- To identify likely factors to **encourage take-up** of demand side response

## 3. Methodology

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### 3.1 Sample Definitions

This research focuses on the views and attitudes of SME consumers across England, Scotland and Wales. For the purposes of this research, the definition of SME consumers has been defined in line with the European Commission (Enterprise and Industry) definition as follows:

#### Micro Businesses

- 1 - 10 employees (turnover of less than £2 million)

#### Small Businesses

- 11 - 50 employees (turnover of less than £10 million)

#### Medium Businesses

- 51 - 250 employees (turnover of less than £50 million)

Within our sample of SMEs, we have included views from the following organisation types:

- Users of both gas and electricity and some using only electricity
- A range of different energy usage levels
- A spread of industry sectors to include:
  - Retail
  - Manufacturing
  - Social/ Community
  - Offices
- A sample of consumers who are on half hourly meters
- All consumers operated from business premises (those operating from home were excluded from the research)
- Those businesses at the high end of energy consumption were also excluded from the research to ensure that those who are covered within the Carbon Reduction Commitment (CRC) requirements were not included.

The research used a qualitative approach comprising:

10 group discussions, 6 with Small and 4 with Micro businesses  
 15 telephone depths, 8 with Micro and 7 with Small businesses  
 15 face-to-face depths with medium sized businesses

The research was spread across Great Britain with the groups and depth interviews conducted in:

London	Cardiff
Birmingham	Manchester
Edinburgh	South East

The research took place in February 2011.

The breakdown of the group discussions is shown in table 1 and 2:

Table 1: Breakdown of Group Discussions						
SIC Group	Manchester	Birmingham	London	Edinburgh	Cardiff	Total
Manufacturing/Construction	Micro	Small		Micro		3
Real Estate, renting & business activities/Office	Small		Micro	Micro		3
Retail/catering			Small		Micro	2
Social/Community		Small			Small	2
<b>Total</b>	2	2	2	2	2	10

Table 2: Breakdown of Group Individuals by Activity		
	Micro (30)	Small (30)
Use a Broker	5	7
Have a Contract	17	14
Switched Recently	13	10
Smart Meter	5	6

Each group consisted of on average 6 respondents who were responsible for the energy requirements of their business. The discussion lasted around an hour and a half and each respondent received a cash incentive of £75 for their participation.

The breakdown of the depth interviews is shown in Table 3 and 4:

Table 3: Breakdown of Depth Interviews				
SIC Group	Micro	Small	Medium	Total
Manufacturing/Construction	0	2	4	6
Real Estate, renting & business activities/Office	5	1	5	11
Retail/catering	3	1	3	7
Social/Community	0	3	3	6
<b>Total</b>	8	7	15	30

	Micro (8)	Small (7)	Medium (15)
Use a Broker	3	2	6
Have a Contract	5	4	13
Switched Recently	2	2	9
Smart Meter	0	2	4
Half Hourly	0	0	6
Multiple Sites	0	2	9

Teledepths were completed with the Micro and Small businesses and face-to-face depths with the Medium sized organisations. The teledepths lasted 45 minutes and the face-to-face depths up to an hour. Respondents were offered a small cash incentive to take part, either as a charity donation or in cash. The discussion areas and guide were the same as the one used in the group discussions.

### 3.2 Recruitment

The recruitment was conducted by telephone using lists from Dunn & Bradstreet and boosted locally by face-to-face recruiters. All telephone recruitment was conducted from Harris Interactive's telephone centre in Stockport; the face-to-face recruiters were part of our established field force.

SMEs were invited to take part in a short **quantitative** profiling interview lasting 5 minutes. This ensured we were talking to the individual responsible for gas and/or electricity purchase within the organisation. The business size and sector was also checked. In addition for profiling purposes we asked for their approximate spend on electricity and gas; whether they used a broker or purchased directly; any previous switching behaviour; and knowledge of their contract and meter type.

Those respondents who met our qualification criteria were then invited to take part either in a qualitative group discussion or in a depth interview to discuss their energy usage, the purchase process and their environmental impact.

A copy of the recruitment questionnaire is appended to this document.

### 3.3 Coverage

To summarize the discussion covered current usage of electricity and gas, the process of choosing a supplier, the role of the broker, any experience of switching, back billing and contract rollover, and then moved onto consider environmental impacts of gas and electricity consumption, the measures SMEs are or could be taking to minimise their environmental impact and interest in demand side response.

A copy of the discussion guide and the descriptions and stimulus respondents were shown are appended to this document.

## 4. Main Report

### 4.1 Energy Usage

#### 4.1.1 Usage of, and Overall Engagement with, Energy

The research included three main groups:

- **MICRO businesses** where the respondent was mainly the business owner or director of a family owned and operated business. Those individuals we spoke to were responsible for both the day-to-day aspects of running the businesses as well as managing it at a holistic level. Their main focus was on making a profit from sales or production as well as cost control. Micro businesses included:
  - Music retail and repair
  - Surf store
  - Property developers
  - Art dealers
  - Coal mining management
  - IT, Recruitment and Consultancy
  - Printing and gift shops
  - Bed & breakfast
  - Convenience food retailing
  
- Amongst **SMALL business** respondents we saw a mixture of owner/directors, and, as the organisation got larger, accountants, secretaries and office managers. Again focus for the business was on cost control and sales/profitability. Small businesses included:
  - Software development
  - Taxi firm
  - Surveyors
  - Charity
  - Architects
  - Children's nursery
  - Media
  - Accountancy practice
  - Design and distribution
  - Manufacturing/Distribution

- Respondents from **MEDIUM organisations** filled a variety of roles, including finance directors, commercial directors, office managers, purchasing managers, security and maintenance managers as well as a small number of owners. In some cases the respondents interviewed would only be responsible for larger/final decisions relating to energy supply issues. Day-to-day matters such as checking meter readings/paying bills would be handled by support staff. Medium businesses included:
  - o Hydraulics Manufacturers
  - o Chain of Care Homes
  - o Charity covering care home, conferencing and leisure facilities
  - o Tourist attraction
  - o A local chain of department stores

Across all of the business sizes, selecting and managing energy suppliers formed a **very small part of the respondents' responsibilities** and was not something they considered on an ongoing basis. This meant that there was **fairly low engagement** with the subject on the whole. The most typical response is *'I'm just too busy to think about it'*

- *'I don't bother them and they don't bother me. Experience is neutral and neutral is good'* (Micro office, London)
- *'If your electricity and heating is working it's the last thing on your mind'* (Small taxi firm, Birmingham)

#### 4.1.1.1 Overall Engagement with Energy

Low-level engagement involved glancing at (rather than scrutinising) bills, to check they are in line with expectations, and a minority read their meters to compare actual readings to estimated bills. The notable exceptions to low engagement occurred when

- **the bill was out of line with expectations**
- **contract was up for renewal** (for those that were aware of this)
- respondents felt somehow unfairly treated by their energy company, particularly through **contract rollover**. *I've now been educated in the past 12 months. I didn't know I was in a contract until it rolled over and the bills went up. It was a real eye-opener. I'll be on the ball now.* (Small manufacturer, Birmingham)

Occasionally some respondents across all business sizes have a higher level of engagement due to their personal attitudes and interest in energy issues overall.

Businesses with **higher consumption** were more likely to have an interest in energy usage. These tended to be **manufacturing organisations** of all sizes who used energy extensively in their production processes, and **small food retailers** due to the high consumption of chiller cabinets and lighting. Their focus was on saving money, largely through looking for the best deal in the market.

- *'If you're a manufacturer and it's [energy] pushing up your costs per piece produced then it's worth looking at'* (Small manufacturer, Birmingham)



- *‘When your bills are £10,000 it’s worth looking into to see if you can save 10% (Small manufacturer, Birmingham)*
- *‘My electric bill alone is bigger than my rental on the premises – well over £1,500 a month’ (Micro food retailer, Cardiff)*

#### **4.1.2 Energy as a Proportion of Overhead**

**Energy market price increases** have been felt by respondents (both as business and domestic consumers) which has resulted in some shopping around and efforts to reduce consumption.

For the majority, however, energy bills are not a large part of business overheads; these bills generally being eclipsed by salary bills, rental for business premises, and petrol/diesel where vehicles are used for business purposes.

One medium business for example had an energy bill of £2.5k in a head office of 4 people, but 100 site based staff spending £250k per year on diesel.

**Gas and electricity costs** often come lower than the aforementioned expenses, with other utilities such as telecoms, water and printing being the lowest proportion of overheads.

Energy costs tend to be a higher proportion of overheads for food retailers (with chiller cabinets as mentioned), guest houses where heating bills in particular were significant and manufacturing businesses with energy intensive processes.

For many, energy consumption increased during the winter, largely due to the dramatically increased need for heating.

Further, some businesses indicated they had equally high energy consumption in the summer due to the greater use of air conditioning or chiller cabinets in convenience food retail working harder in summer to keep drinks cool. The majority of offices used energy during daytime hours (8am to 6pm), while convenience shops and some manufacturing businesses with shift work were working into the evenings.

## 4.2 Experience of the Market

### 4.2.1 Energy Category Perceptions

There was an overarching air of **cynicism** surrounding the energy market as a whole, largely due to the perceived high level of profits achieved by energy companies; this feeling being compounded by media coverage of British Gas' profit increases during the fieldwork period. In addition, **this resentment** crosses over from the domestic side, where price increases and profiteering are regularly reported in the media.

Furthermore complaints were made around the 'underhand' way in which energy companies quietly allow **contracts to roll over** rather than proactively ensuring their customers are on the best tariff available to them.

This annoyance has been heightened following experiences of energy companies suddenly offering a much better price once challenged. One small surveyors' office saved £500 on a £2500 annual bill by getting a second quote and then going back to the incumbent energy supplier (British Gas) to ask for a better price.

Foreign ownership of energy companies was also commented upon with particular criticism surrounding the fact that profits do not remain within the UK. Furthermore, it was considered unjust that customers of these suppliers in their native countries pay much lower prices than customers in the UK.

Others, however, tended to be largely neutral or apathetic. All respondents believed that the purchase of gas and/or electricity cannot be avoided and therefore they just get on with it without giving it much thought. It was also noted that there have been widespread price increases in other areas, for example for food, raw materials, fuel, and that gas and electricity are no different.

### 4.2.2. Supplier Involvement

#### Main Drivers:

When asked what they look for in a supplier the overwhelming majority of respondents said “price”.

This is largely because their bills received have a direct impact on the profits achieved by their business. In addition as the market is seen as largely commodity-driven with little differentiation between suppliers and perceived low-level need for service, advice etc, then price tends to dominate.

**Continuity of supply** is also of great importance, although this is generally taken for granted and it is anticipated that gas and electricity will be supplied as required.

Thirdly for the significant majority, it was vitally important to use a ‘big name’ supplier to ensure continuity of supply. They believed they could feel confident that these companies would have the financial and organisational stability to ensure there was no disruption to the service offered which is demonstrated by the range of suppliers used by respondents where only a small minority used smaller suppliers.

#### Secondary Drivers:

Businesses in general do not feel they need **a great deal of service** from energy suppliers beyond the supply of gas and electricity (e.g. customer service, billing, complaint resolution).

Ultimately the majority are not engaged in a service relationship with their supplier on an ongoing basis, rather they simply wish to pay the best available price to them, ‘for the lights to come on when they should’, to receive bills as they would expect and ‘to be left alone’ by their supplier. However, poor past experience of customer service from a supplier may result in a boycott of that particular supplier, as well as increased engagement with the subject.

Some respondents did, however, comment on areas where customer service could be improved in general. These tended to focus on the call centre (although these complaints are not limited to the energy market):

- Overseas call centres makes language and comprehension difficult
- Unknowledgeable call centre staff, often unable to make decisions themselves
- Lack of continuity with same agent – i.e. cannot speak to the same person
- Lengthy Interactive Voice Response processes – difficulty of getting through as a SME

Overall, businesses tend to be neither satisfied nor dissatisfied with their suppliers, rather they are neutral. The general feeling is that there is **little differentiation** between suppliers beyond price.

- *“It doesn’t matter who you buy it from, it all comes from the same place. It’s just a different company name at the top of your bill”* (Small Property developer, Edinburgh)
- *‘Since the market broke up you have a myriad of suppliers but really they just use the same pipeline. They are just out to make money from you’* (Micro retailer, Cardiff)

As witnessed above, perceptions of profiteering lead to strong feelings of dissatisfaction (regardless of supplier performance), and there is a widespread feeling that bills are far too high and customers (both businesses and domestic) are paying far too much.

Although generally the current supplier had been chosen on price, and respondents claim this is the key differentiator, there is some evidence of loyalty, or inertia, with some long-term relationships of 10-15 years or more. With the smaller businesses in particular there is considerable reference to the domestic market and evidence of the same supplier providing energy for both the home and business premises.

If people had had a poor experience on the domestic supplier front this could prejudice them against choosing that supplier in a business capacity.

A very small number did claim that in a more buoyant market they would look at the environmental credentials of the supplier and would choose on environment over price.

Only one medium site engineers business had done this and had moved to Ecotricity. However this was for compliance with ISO14000/1 as well as for personal reasons.

### 4.2.3 Ease of Understanding the Bill

Even those who paid close attention to the bill did not always find it easy to understand. They invariably felt it to be confusing, and there is a lack of **transparency and clarity** about how the figures are calculated. This feeling was particularly common amongst micro and small businesses where respondents were not in tune with this type of information to a great degree.

One small business commented that they show the units but then apply a conversion rate to it. This respondent did not understand where that conversion rate had come from.

Others were confused by price per unit (i.e. what is a unit at a basic level?); two or even multi-tiered tariff structures; overall lack of explanation of tariffs; and terminology on bills e.g. kWh.

- *“It’s so complicated I cannot even contemplate spending 5 minutes looking at it”* (Micro, Cardiff).
- *“Never easy to understand...gas or electric”* (Medium, SE)

This confusion means that bills are often simply judged by the **amount due in pounds and pence**, and if this is in line with expectations they are simply filed

- *“With bills I’ve just got a figure in my mind and if it doesn’t jump out at me I ignore it”* (Small electrical contractors, Birmingham)

Those respondents who pay by direct debit generally do not really look at the bill because they do not actively have to pay it, rather the money will leave the business’ account automatically meaning they do not have to engage with the bill.

Therefore, for all of those paying little attention to the bill, this may mean that perceived difficulties in understanding bills may be based more on perception rather than actual experience. Alternatively they may have disengaged with the bill as it is too complex.

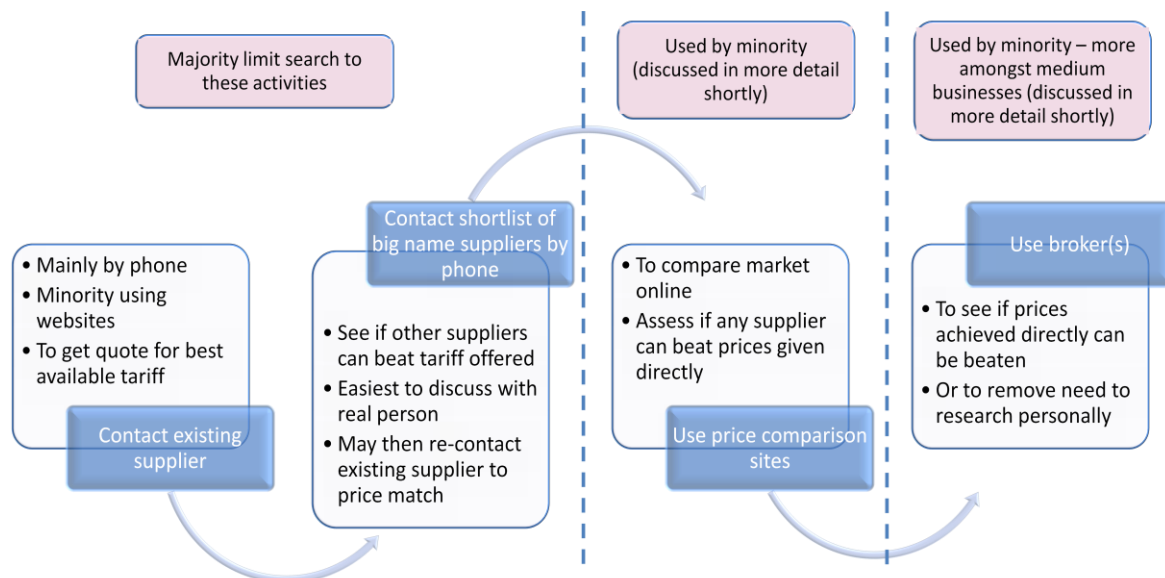
Due to the limited attention paid to bills, some respondents had not noticed changes in tariffs for some time in the event of their contract being contract rolled over.

Those who are more engaged tended to be amongst medium-sized organisations (where the respondent is in tune with the type of information presented in bills), with a minority from Micro/Small businesses. This group has tended to make more effort to understand bills over time due to their greater general interest in and attitudes towards looking at consumption and understanding bills and figures in general.

#### 4.2.4 Looking for a New Supplier

Overall when SMEs make the decision to review their contract it appears a number of tasks are undertaken. For the majority of micro and small business, this will entail step 1 and 2 as illustrated in the diagram below. Medium businesses are more likely to continue on to step 3 and 4.

Fig 1. Approach businesses take when looking for a new supplier



As the diagram shows, the majority will initially contact their existing supplier by phone to ascertain the best tariff available to them as they prefer an individual to explain the options available to them, with a small number looking at available tariffs on their supplier's website. Most would then go on to contact a shortlist of big name suppliers, again by phone, to see if they can beat the price offered by their existing supplier.

A minority also claim to use **comparison websites** to compare tariffs available.

There is a general perception, however, that there are no (or very few) comparison websites **targeted for SMEs only**, and those that are available are in essence for domestic customers.

When considering a switch Small/Micro business customers tend to go to these domestic sites to get a feel for how cheap suppliers are, and then call them directly about their business tariffs.

Occasionally **business-specific sites** are used, more so by medium businesses (e.g. USwitch, Energy Advice Line). Others who have looked at the business specific sites are, however, put off because they would need to call to get a quote, rather than a comparison being instantly available online.

Whatever sites are used, there is a **demand amongst respondents for more comparison websites available for the SME market**, so that businesses can compare suppliers more easily online.

Once alternative quotes are obtained respondents will often go back to their incumbent supplier to see if that supplier can match the new tariff.

However, this can also be problematic as it is not considered easy by the majority to compare different providers' tariffs as they are not quoted like-for-like (approximately three quarters of micro/small businesses and around two thirds of medium businesses held this view).

- *'Some have a flat rate, some have a standing charge, some have a two tier structure, some have direct debit discounts. It takes a lot of time and energy to find out what is truly the best deal'*(Medium building contractor, Manchester)
- *'You can never compare apples with apples. It's apples with pears. They make it hard for you'* (Micro engineering, Edinburgh)

A small number of businesses of all sizes are prepared to take their own steps to help them compare different compare the different quotes (for example to set up spreadsheets), however these are firmly in the minority.

#### 4.2.5 The Role of the Broker

The majority appear not to use brokers (approx. 2/3 of the sample we spoke to).

Medium sized organisations were more likely to use brokers although they were amongst all business sizes in this sample:

- Medium: 6 out of 15 depths
- Small: 2 in 7 of the depths, 7 in 30 of the groups
- Micro: 3 in 8 of the depths, 5 in 30 in the groups

Spontaneously many small and micro businesses (around two thirds of respondents in these business sizes) claim to be called incessantly by both brokers and suppliers offering their services. This tended to generate high levels of criticism as they are often seen as nuisance calls. Medium businesses tend to receive less unsolicited calls as they seem to have more screening on their calls from receptionists/support staff.

This annoyance stems from a number of factors:

- Brokers were felt to employ scare tactics to encourage commitment then and there *“If you don’t sign up to this new deal now it will be gone and you will be stuck on a hugely inflated tariff”* (Small office, Cardiff)  
(Some had looked into it, then received the Terms and Conditions and backed off because the rates were not those quoted on the phone, for example)
- Appear to have high level of knowledge about their business (current supplier, renewal date) that makes the respondent feel uncomfortable or defensive
- Call at times that don’t suit the business which adds to the ‘nuisance’ factor
- Telephone calls are off-putting in general, some prefer a face-to-face approach if they were to use a broker

Companies **who did use brokers** mentioned Utility Warehouse, Energy Advice Line, and Utility Helpline. The benefit of a broker is that they are seen to have:

- A better understanding of the market and potential supplier problems
- The ability to save the business time and hassle, and get the best deals available
- Knowledge of the market in terms of likely price increases
- A reminder to the business when the renewal is due
- Potentially the ability to work as a middle man if there any problems to resolve (in reality, with a very small number of exceptions (i.e. in approximately 80-90% of cases), the broker is only in evidence at renewal stage)

Where the broker is used the relationship is generally good. However, very few had really thought about how the broker is paid. There is an assumption that the supplier is paying the broker, but could the business therefore get a better deal directly?

This is borne out by a small number of Micro and Small businesses who have tried using brokers previously but found they sourced cheaper deals themselves directly with the same supplier.



Other organisations **had not used a broker** because:

- Energy is low priority so involvement of a broker is not warranted
- Barrage of cold-calls is off-putting
- Their bills are so low they do not think a broker will be interested
- Adds an additional layer of cost
- Desire to be in control themselves
- They are cynical about the brokers' role, assuming the broker is receiving commission from certain suppliers only and therefore favouring those suppliers when offering deals to them.

#### 4.2.6 Switching Behaviours and Attitudes

Amongst Small and Micro businesses switching is not a simple, automatic decision.

The majority had not switched at last renewal:

- Micro: 2 out of 8 micro depths, and 13 out of the 30 in groups had switched
- Small: 2 out of 7 depths, 9 out of 30 in the groups had switched

It is a somewhat different picture with medium sized businesses where 9 out of 15 depths have switched.

The overriding reason for switching providers was for a lower price/tariff. For those who have switched the barriers are minimal as the experience was generally easy and painless and the onus is perceived to be on the supplier.

Those **who have switched** are more likely to be:

- **Engaged** (e.g. scrutinise their bills), and **aware of renewal dates** or have received a renewal letter with a large tariff increase
- **Spending more on gas and electricity** and are therefore more sensitised to any saving being more worthwhile
- Those who are **more responsive to sales calls**
- **Using brokers** who will prompt at the right time in the cycle

Brokers will prompt a review of the market but may recommend staying with the incumbent supplier so using a broker does not automatically prompt switching. However there is some slight evidence that usage of a broker may prompt more switching:

- For Micro all 5 using a broker switched, while 9 (out of 25) not using a broker also switched
- For Small all 7 using a broker switched, while 5 (out of 23) not using a broker also switched

Those **who have not switched** are not convinced about the benefits of switching, with the following perceptions held by the vast majority:

- **Switching is a hassle – the process will be difficult** (based on perceptions rather than reality)
- **Special deals** can be misleading – headline price in first year, then goes up
- **Minimal cost savings**
- **‘Better the devil you know’**
  
- *“I’m suspicious of new companies selling to our business, coming in with low offers and increasing them later”* (Micro marketing consultancy, London)

For those who have experienced switching it has generally been a hassle free process with in many cases surprise that the incumbent supplier had not tried harder to keep them. Further, there is no evidence of existing suppliers creating barriers when businesses want to switch during their renewal period.

However there were some instances of difficulties:

- When **contracts have rolled over** without the business’ knowledge, and they have assumed they can switch at any time. In most cases the business has simply waited for the rollover to end and then moved
- When **switching windows are missed** by a few days, and then need to re-apply again at next window (particularly Small, Micro )
- When a verbal contract is agreed on the phone and then a better offer is received. The respondent expected a cooling off period as with domestic contracts
- One instance when a supplier tried to **credit check** a micro business which was not listed in Experian so unable to move. When the respondent contacted Experian, it was reported that they said this was a common problem for smaller businesses

There were also instances where there was an error in the outgoing meter reading

- A Small electronics manufacturer switching. The existing supplier did not provide a meter reading and the estimated bills were 10 times higher than they should have been (this is not yet resolved)
- A Medium repair business switched to a new supplier who allocated them a number of meters instead of just one. This lead to inflated bills and years of conversations but has now been resolved

Once more there were calls for **suppliers to be more proactive** in making customers aware of renewal periods to reduce confusion if intending to switch

#### **4.2.7 Current Supplier Contracts**

When contracts were raised in the discussion, there was **widespread uncertainty and confusion over contracts and their terms.**

Some in fact actually wondered whether they had a contract in place in the first instance, with some making assumptions that they must have one rather than based on any actual knowledge.

However some, particularly Small and Micro businesses, did not believe they had a contract at all.

In the recruitment for the depth interviews, 4 out of 7 small and 5 out of 8 micro believed they had a contract, while 13 of the 15 medium depths said they had a contract.

Similarly for the groups, 13 out of 30 small and 17 out of 30 micro claimed they had a contract.

*Those who perceived there was no contract in place*

This was more typical of those who had been with the same supplier a long time – e.g. 5+ years (in one case more than 26 years) and believed their tariff was simply rolling on a standard rate. They also believed that they could leave at any time, as with a domestic arrangement, and so became quite concerned when areas such as **contract rollover** were discussed.

*Those who knew they had a contract in place*

The Medium sized companies and those who had switched recently were much more likely to know if they had a contract, and generally said it was ‘filed’.

During the depth interviews many retrieved the contract to review as their recall of the specific details was vague. There was an assumption that the contract would include

- The tariff (or tariffs as applicable e.g. day/night)
- The contract period
- The start and end date

In fact when they looked at the contract, key information was often missing. Most contracts had a date but it was the date the contract was arranged not the date it started. Further, it is evident that there can be a three, four or even six month discrepancy between those dates.

As an example, a small company who reviewed the contract with British Gas during the call, found that the end date was missing and the start date was July (when the contract was agreed) not September (when it started). The respondent thought that this would be confusing if she left the company and someone else had to take over the responsibility.

Another larger Medium sized company reviewed the contract for one site where they had day/night tariffs as he expected the times the night tariff started to be on there but this information was absent.

*Benefits vs. Drawbacks of a Contract*

The majority do feel that a contract is beneficial:

- Widespread belief that agreeing to a contract gives the business the ability to secure lower tariffs (and not be on a standard rate)

- Where the contract provides for a fixed tariff it gives piece of mind in a market where prices are constantly increasing. *I think you have to have a contract; I'd be rather worried without one because you've got nothing to argue from have you?* (Micro, manufacturing, Birmingham)
- Budget planning: particularly for Medium businesses (with, for example, accountants, finance directors) where a more structured approach to management of expenditure is taken
- When prompted, a written contract was felt by some to let them know where they stand

The perceived drawbacks of contracts for a minority were:

- Tie-in: a contract fixes you in and you are constrained to stay with that supplier – *"they have you trapped"*
- Lack of freedom: inability to switch as and when you want e.g. when a better deal comes along

For those people aware of contracts they were usually agreed over the phone, sometimes with a follow-up email to confirm terms (across all business sizes) which was found to be useful. It was generally not apparent that those micro-businesses who had agreed a contract had received written confirmation.

Not surprisingly it became clear through discussions that people would like some hard confirmation **in writing** as their memory could be hazy as to whether they agreed a contract. Therefore most would like to see something in writing for both new and renegotiated contracts. Many mentioned that due to the large amount of junk mail received, more important mail can sometimes be missed or ignored, but it is still felt to be important that a contract is sent in writing.

They would like these contracts to be **clearer and easier to understand**:

- One side of A4 paper
- Bullet points to highlight which tariff business rate they are on
- Any discounts received
- Contract start and end date
- Renewal period, or notice needed to give

This should be sent separately from any bills and clearly highlighted that it is not a bill, not a circular or promotion i.e. 'important contract documents enclosed'.

All this would help to improve **perceptions of supplier transparency**, as billing and contracts are seen to be an area needing significant improvement.

#### **4.2.8 Contract Rollover**

**Contract rollovers** were highlighted as a particular area of concern, with some experience of these.

As noted in the previous section, there is limited awareness of the date of the contract end, so there is considerable reliance on either the supplier or the broker to remind the customer the contract is ending.

There are some examples of very good proactive service from suppliers, for example a customer had received a notice from their supplier in plenty of time and clearly stating the dates when they have to give notice. However, a concern is that the notice period does not always finish at the renewal date, so it may be necessary to give notice in November for a start date in January.

Overall, **contract rollovers are seen as unfair**. There were claimed to be occasions where the supplier had moved the user onto an inflated tariff (with respondents mentioning twice the rate that was previously negotiated) and had tied them in for an extended period. The result was almost always that the customer honoured the contract and then left the supplier as soon as they could. It is unlikely that they will then go back to the supplier who has taken this action.

There are numerous examples of this happening:

- An engineering company was rolled onto an 'emergency' tariff without knowing they had come to an end with their existing tariff, which was 40% higher than the negotiated tariff
- A residential care home saw their tariff treble
- A small surveyor saw their tariff double and was tied in for three years. They were previously on a two year deal and were given a two week window to renew in August when the respondent was on holiday (although 4 weeks from the date of the letter from Eon).

It should be noted that where the tariff has increased the new rate is not actually shown on the bill and so is easily missed. This increases feelings of 'dishonesty' and exploitation on the part of the supplier:

- *"They're hoping you don't bother to follow things up and then they've caught you – it's purely there to trip up customers... **it's wrong**"* (Micro retail, Cardiff)

#### 4.2.9 Communicating the Renewal Period

Many respondents claim never to have received a renewal letter.

This lack of awareness may be compounded by:

- The low level of interest in the subject so may have received a letter, glanced at it but subsequently forgotten about it
- The length of contracts means that some respondents had not had a renewal for some time
- In larger organisations the responsibility may have moved on, or the letter is 'lost' in accounts rather than being passed to the correct person

Only **those engaged and fully aware of contract terms** keep track of their renewal periods:

- They may diarise the renewal period so do not need (or notice) the reminder
- They use brokers who keep on top of when the renewal period is due.

There is evidence that some **micro businesses** have had better experiences with renewal letters, and communication has become more transparent in recent years. This also suggests that the new protections put in place are having a positive impact.

However as noted in contract rollover above, there is a widespread belief that suppliers do not really want to notify their customers of the renewal or the best deals, wanting instead to keep customers on their markedly higher 'standard' tariffs.

All respondents but particularly micro-businesses were concerned with the length of the switching window (typically a month but they may not receive the notice till part way through that month). Energy is one of many tasks and not a priority so a month can easily pass before they get to do anything about it.

There is a general belief across all business sizes that **the suppliers should be more proactive in alerting customers of the renewal date**

- Warning them of **the time frame required if the contract is to be terminated**
- **Notifying them of the best tariffs available** for the business going forward

Respondents thought this may need to involve a follow on phone call. Responsibilities (and people) do move so it is not be possible to rely on just an electronic mail.

#### 4.2.10 The issue of Backbilling

Generally backbilling was not an issue that had been experienced by many respondents, partly due to some respondents' proactivity in providing meter readings to suppliers.

However, a minority had experienced backbilling but the supplier was generally seen as helpful in agreeing terms for repayment or in some cases they have even reduced the amount owing.

Examples included:

- A micro florist who received an unexpected bill for £500 and managed to agree 3 months' interest free payment terms
- A micro engineering company who received a bill for £35k and managed to negotiate it down to £15k
- A small property development company who received an additional £12k bill for a leased property. A three month payment term was agreed but they had to recharge the client and this caused a strained relationship with their client
- A medium manufacturer who received an £80k bill for a 3 year period. The bill was reduced to £50k and a 12 month payment period agreed with their broker's help

In all of the cases resolutions were achieved without third party involvement e.g. from the Ombudsman.

In some instances businesses were aware they had been receiving estimated or incorrect bills and had either provided the correct reading or had budgeted for a large future bill. Some had found it necessary to chase the suppliers to try to get resolution, which is inconvenient and takes valuable time away from other tasks but is not perceived as a major problem.

Whilst backbilling is generally resolved there is a feeling of disapproval at the concept or prospect of it, and it is seen as another example of the uncaring attitude of suppliers. Most think the onus should be on the energy supplier – i.e. it is *their* mistake (and therefore by inference their responsibility).

- *"It's despicable. It's them not doing their job properly"* (Micro Electrical contractor, Edinburgh)
- *"That seems diabolical. I would expect under the terms of their contract that they should read meters at least once a year so it does not happen"* (Micro Retail, Cardiff)

Another problem raised by a small number of respondents was **overpayments**.

Overly large estimated bills combined with direct debits taking money from their account before the business has been able to review the bills has resulted in some respondents being owed money by the supplier. This can then be difficult to reclaim.

In one example a micro retail business in Cardiff was owed £500, the respondent was told she would have to wait for 5 weeks before getting her money back as it had to go through various people for approval. This was seen as far too long.

In another example a small taxi firm was owed £1,500 following estimated bills. Again repayment took a long time.

The overall feeling is that this money should be in the businesses' bank account rather than that of the supplier, particularly due to the current economic circumstances where cash flow difficulties may be experienced.



## 4.3 Managing Demand for Energy

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### 4.3.1 Demand Management

The majority of organisations are becoming increasingly aware that they need to manage consumption of energy. There are a number of factors which are driving this:

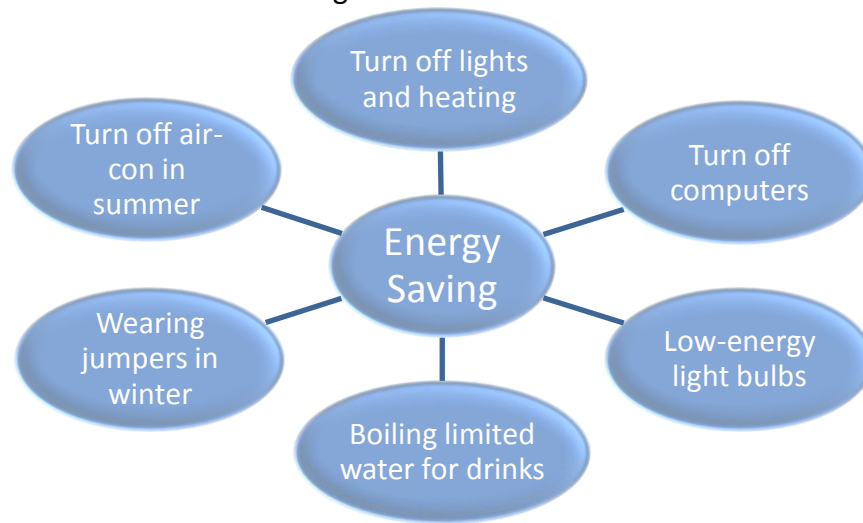
- **Cost control** is usually the driving force to minimise energy wastage. Given the prevailing difficult economic climate, and also due to rising energy prices, business owners are often preoccupied with cost control management to maintain their margins, and encourage their employees to think similarly and adapt practices and measures wherever possible.
- **Cross-over from domestic consumption management:** some people bring their behaviours or principles of energy wastage into the work-place, although it has to be said that the majority treat home and work-place as two very different entities, and in fact do not carry over these behaviours or values. This is especially true if they are not the business owner with less of a stake in the welfare of the business

Many also claim that whilst they themselves may make strenuous efforts to control wastage, they can find it difficult to influence the behaviours of others, particularly the larger the organisation becomes – i.e. any company ethos about energy consumption becomes more difficult to manage or enforce as the size of it grows.

There are a minority of examples amongst Medium businesses, however, where passionate business owners/management teams have successfully instilled an energy saving culture across the business through years of pro-active education for employees. Other than the previously mentioned requirement to comply with ISO14000 standards, there were not found to be CSR standards within businesses.

- **Environment is invariably a secondary concern:** in essence it is less often green or environmental principles which are driving organisations in this context, more the practical and significant desire for cost control management. There are exceptions however where the organisation can be more 'sensitised' e.g. micro surf shop, hydraulics engineering, utility services

Many of the steps taken to reduce energy consumption across all businesses are quite obvious and basic as is shown in the diagram:



- One medium retail organisation with a small local chain of department stores had a master switch which turned all electricity off with the exception of the credit card machines (the banks send payment overnight) but most businesses were not that advanced

The key way of **monitoring energy consumption** is by looking at the ‘bottom line’ figure on the electricity or gas bill, and checking whether this is in line with expectations or crude measures (e.g. vs. last year), rather than through any overt means of trying to measure consumption per se. Rising prices have masked any benefit from energy saving and so many have seen no real financial benefit to date.

A minority are investing more time in tracking usage, and implementing new practices as a result. For example:

- A medium sized tourist attraction meeting guidelines for Green Tourism, specifically using low energy light bulbs and switching off lights in unused areas
- Three medium-sized manufacturers who are ISO14000/1 compliant (environmental management), again were switching off lights/ machinery, using low energy light bulbs, minimizing air con and heating use in manufacturing areas (the processes providing enough heat), thermostatic radiator valves
- A small restaurant which monitors its consumption by turning lights off in areas of the restaurant when cleaning in the morning or turning cellar lights off
- Replacing a boiler which may be deemed to be inefficient and expensive
- Better insulation to maintain heat levels to reduce heating bills

Others are looking at ways of reducing consumption but some steps are not as effective, or they are unsure of whether an initiative is effective or not:

- A Medium retail organisation changed all the light bulbs to low energy, however, the large number of old style light bulbs threw off heat and provided enough heat for the store. Low energy bulbs mean that additional heating will have to be installed
- Some micro respondents were not sure whether turning machines or equipment on stand-by or turning them off completely might require more energy to re-boot, or whether it is better use by keeping it on stand-by?

A few micro organisations would therefore welcome some **education** in this area, to help clarify where energy savings could be really made for example ‘by turning off your equipment rather than leaving it on standby you could reduce your consumption by...’ It is also useful if this can be equated to cost savings. Any initiatives should be in plain, customer-oriented language, avoiding industry jargon or terminology.

- A micro art gallery had to have a certain type of bulb to light the pictures correctly, and they had to be on to attract customers. However the bulbs gave off so much heat that air conditioning had to be switched on to cool the premises down. They would have welcomed advice and education on the most effective and efficient lighting and air-conditioning systems, ideally from an independent body.

However, as SMEs, the overriding feeling for some is that it is difficult for them on their own to make any significant positive impact on the environment, particularly compared with the emissions created by the USA and China. This was not, however, a key reason for not managing demand, rather an underlying mindset.

A small number were making more significant investments including:

- Fitting light sensors (a Micro conservative club and a property developer, Medium logistics company)
- A Micro food retailer fitted energy efficient chillers (with a £30k loan from the Carbon Trust)
- A Small nightclub fitted an energy saving device to pumps
- A Medium building contractor was purchasing equipment with power save mode

Whilst some had witnessed some relatively small savings in consumption others had equally not seen any notable change (N.B. Bills may have remained the same but the tariffs may have increased - meaning consumption is lower).

In general those organisations where energy consumption is a relatively higher proportion of their overheads are more likely to look at ways of reducing costs through investment, behavioural change or both. Examples are micro food retailers with high cost of chillers, or manufacturers with high-energy use in their production process.

#### **4.3.2 Smart Meters/Automatic Meter Reading (AMR)**

There was fairly mixed awareness of Smart Meters/AMRs across the sample, although it is still at a relatively low level.

A minority of respondents currently have AMR or smart meters

- 4 of the 15 medium depths
- 2 of the 7 small depths and 6 out of 30 in the groups
- None of the 8 micro depths and 5 out of 30 in the groups

However, few of these organisations were aware of the real potential benefits, and none of the respondents said they were actively monitoring their usage through the supplier's website. A very small minority of medium businesses did track their usage through graphs received on paper bills in order to assess potentially energy surges throughout the working day and address behaviours to prevent these

It seems that once people understood the fact that they could have...

- i. **Less estimated bills**
- ii. **Monitor more accurately their consumption of energy**

... interest in smart meters grew. This is probably a classic challenge of a 'feature in search of a benefit' –businesses need this explaining to them as a 'smart meter' per se does not mean one intuitively recognises its benefits.

The most obvious benefit identified was that businesses would be much better able to monitor and control actual consumption. It was felt that more accurate billing could help with problems like back billing.

There were mixed reactions to the idea of being able to view usage data online. Given the fact that energy usage can be a low engagement area for some, this seems more time hassle than it is worth.

This was borne out by even users of smart meters claiming they had not checked usage data.

Nevertheless others did like the idea of looking for peaks and troughs in consumption, and seeing perhaps by 'trial and error' how they could make savings.

In fact one small retailer did seem to grasp the benefit of having access to a range of information about their consumption through the supplier's website.

*'If I could set it up online and monitor what I was using in say half-day periods, perhaps get a report the next day through the website, then this could be really interesting. I could then see if I made changes what impact that could have'* (Small sports retailer, Cardiff)

Not that this is for the case for everyone – although many liked the *idea* of being able to track usage, *in reality* only a few thought they would actually do this.

This is a further illustration where the benefits of a particular concept need spelling out to customers, such as being given a specific example or case study of **how someone has used it in their organisation to good effect.**

In summary therefore, **smart meters** have more potential once their actual benefits are explained.

There were, however, some additional concerns or cynicism:

- i. who would pay for these new meters to be installed?
- ii. it is an expense that already financially stretched businesses would find hard to meet
- iii. cynicism that this is a cost saving exercise designed for the suppliers' benefit as there would be less need to have meter reading contractors

### 4.3.3 Need for Advice on Saving Energy

The majority had not thought of looking for advice on saving energy, nor would they really actively pursue it. There is a strong conviction in most businesses that they are doing everything they can to reduce energy consumption, therefore further advice is neither needed nor sought.

When the issue of advice was discussed in more detail there was a strong feeling that it should come from **an independent third party** e.g. Business Link, Chamber of Commerce, Carbon Trust or another government body. Further, this advice should be free of charge.

*“I know there are a lot of consultants who can give you information but a lot of people would be put off because there are quite considerable costs involved”* (Micro retail, Cardiff)

Respondents felt much more able to trust a government body as offering impartial advice, compared with a supplier or broker whom they felt would not be impartial.

There were very minor concerns that the advice would need to be paid for. One medium tourist attraction had been offered a chargeable energy efficiency survey by Scottish Power, but they felt they had an ulterior motive in wanting to charge for it.

Awareness of external bodies such as **Carbon Trust** or **Energy Savings Trust** is quite patchy – there are certainly more who have heard of them than those who actually know what their role or purpose is. Subsequently this means that many businesses do not readily grasp how they might help them without it being spelt out.

Only a small minority of Small and Medium businesses had proactively contacted or received a call from the Carbon Trust, which had resulted in a visit to assess consumption and advice on usage efficiency. However this was often felt to be short-term ‘wins’ which were in effect just common sense, or suggestions which were conversely longer-term gains but were unfeasible due to financial constraints (e.g. renewable energy sources)

One particular company had actively sought and successfully received a **grant** from the Carbon Trust:

*‘I knew that my chillers were energy inefficient and I approached the Carbon Trust who gave me a loan for £30,000 to purchase better equipment. They were very helpful’* (Micro retailer, Cardiff)

This point incidentally created a ripple of interest amongst the rest of the groups, which illustrates that once people are made aware of what the Carbon Trust might offer, interest in asking for help may grow.

However there were examples where loans had been sought but difficulties emerged:

- Small residential care home applied for a £40,000 Carbon Trust insulation grant, however there was a shortfall in the loan available (£14,000) so they were unable to proceed. This respondent had believed loans of up to £100k were available so was surprised the bid was not successful in its entirety

There were some respondents who had not received advice but would welcome it, but they would only do more if **they were educated**:

- *“I’m sure there is more we could do that we’re not thinking about. Across all our properties I bet there is something we could be doing better”* (Micro property development, Edinburgh)

#### 4.3.4 Self generation of Energy (Microgeneration)

Microgeneration is certainly an interesting and motivating subject, but the current consensus amongst respondents was it is not feasible at present.

Many respondents had quickly found **barriers** to microgeneration:

- **Financial constraints** was the greatest barrier – the capital outlay was too great, or the payback period too long

*‘We looked into solar panels for our establishment but were advised that the payback for the investment would be 10-15 years which was simply too long’* (Small children’s nursery, Cardiff)

*‘You need to spend money on things that will turn a profit immediately, not in 15 years’* (Small electronics manufacturer, Birmingham)

*‘The fact that photo voltaic are so expensive and our usage is so small, the last time I worked it out it cost about £1m to put them all over the roof’* (Medium manufacturing, Birmingham, energy bill c£100k per annum)

*‘I have looked into renewable energy sources. I have seen that the combination of all renewable sources is currently about 8% of total production, but it needs to be at least 30% of production to make a viable difference. It’s not there yet’* (Small retailer, Cardiff)

- They do not own the property – the lease may prevent them altering the fabric of the building
- They are in a listed property or a conservation area (e.g. noise pollution)
- Concerns the neighbours would object/ need for long consultation (e.g. wind turbines in a residential area)
- Premises are too small

However some had made specific investigations into **solar panels** or **wind turbines**:

- Micro: Property development businesses considering solar panels for their developments/3<sup>rd</sup> parties
- Small: manufacturer, residential care home interest in solar panels, but payback period seen as prohibitive
- Medium: Logistics business looked into wind turbine, but required a 2-3 year consultation period for approval; Tourist attraction looked into fitting a wind turbine but withdrew after concerns over reliability

There was some feeling that self generation was more suited to

- **Rural locations** where sites would be larger and there are no neighbours to consider, so the impact could be more positive. However, rural respondents still had concerns over the efficiency and level of investment needed
- **Larger businesses with greater disposable income**



Overall there was little knowledge of self generation beyond the basic, so all respondents were aware of solar power and wind turbines but lacked clarity on how they actually work or any detailed knowledge on how financial advantages such as feed in mechanisms work.

Some believed solar panels would only provide light, others only heat. They were very unclear how selling energy back would work and felt the initial outlay was too great.

For Medium businesses, they could not build a strong enough case in terms of outlay and payback to get approval. Generally there was an expectation (or hope) that the cost would come down over time.

For many, sustainable energy generation is felt to be the future. However as well as education on the benefits and drawbacks of sustainable energy, some also suggested that **more investment is needed from the government**, with reference made to other European countries where funding is much greater and take up therefore higher

- *“Look at Germany, Sweden, Denmark. They get 70% of funding from the Government. Here it is more like 30%. We need to replicate their model to really get things moving”* (Medium logistics, Manchester)

## 4.4 Demand Side Response

Demand side response looks at how energy consumption could be spread during the day to try to offset usage at peaks and encourage energy consumption at times where demand is lower.

So for example if peak usage is at 5-7pm can one effectively reduce demand between 5 and 7pm through incentives or barriers.

In principle few business are opposed to the idea of reducing consumption during peak hours however few could see a pragmatic way to adjusting their own working pattern.

- They are **restricted by standard business / office hours** which have to operate from approx. 9am to at least 5pm.
- They are **restricted by customer demand** e.g. a restaurant must be open in the evening to cater for the peak demand, a small retailer selling food has to leave the fridges on to offer cold drinks, a tourist attraction must be fully working at all times for visitors
- Or, they are **restricted by manufacturing processes** e.g. set shift patterns having to operate at capacity

There was some suggestion that demand side response would work better for **larger manufacturing organisations**, particularly if they were running 24 hours. So for example they could reduce energy usage possibly for a period during peak hours. In addition if there was automated machinery whether it was possible this could be programmed to start at off-peak hours.

Encouragingly a number were able to see the bigger picture (i.e. all businesses would need to act together), whilst others needed something more immediate and tangible for their business to make it work:

- Shops willing to make it work: *'It makes a lot of sense ultimately. I can see how that could work. I would just like to see a tangible benefit for the business, either monetary or environmental (Micro, shop, Midlands)*
- Nightclub with constant cellar cooling could consider switching off for periods
- Put a control on the electrical equipment in office environs to switch it off for a period during peak hours. *'If you were to say to me today I have a gadget that will fit on the back of the fridge and the energy company will give it to you plus a rebate on your energy, I'll have it.'* (Small manufacturing business, London)

**Case Study:** Medium, manufacturer of double-glazing units

- One medium manufacturing business who has a factory running from 6.30am to 4.30pm would be willing to adjust their hours - for example start earlier and have an earlier lunch break to reduce the impact on the peak at lunchtime

- They used most of their power in the first hour with machinery starting up, heating on), so presume that is more off-peak consumption *'It is something we can control, we can try to get the best cost'*
- *"We couldn't alter the time we close but if we could start that bit earlier to save money, **we could adapt**"*
- *'We would be flexible if they said alter your shift patterns to suit this rate, we'd definitely look into it'*
- *'Lunch break is traditionally 12-12.30, but if they said that this is a peak time, we could bring it forward to 11 -11.30 i.e. shut down whilst everyone else is working, we'd definitely look into moving things'*

There was a minority who were aware other European countries had implemented systems where equipment could be automatically or remotely switched on and off. This was seen as a positive benefit to the environment though less sure whether this would result in any significant savings. Importantly this should have no negative impact on business processes or efficiencies.

Further, a minority believed that it may be beneficial if they were provided with equipment to automatically switch off appliances at set times e.g. turn off fridges or chillers for an hour, as this would remove the need for individuals to remember to do this and may therefore increase compliance.

- *"If you were to say to me today 'I have a gadget that will fit on the back of your fridge and the energy company will give it to you and give you a rebate on your energy', I'll have it"* (Small manufacturing, London)

Ultimately, once more, **education from government or other independent parties** is needed to raise awareness of the potential financial and environmental benefits of shifting usage. In addition **suppliers** could help to educate how their customers could reduce bills, though some are sceptical whether it is in their interests to do so

- *"My immediate reaction was that it would not be any good here because it would not save enough to make a difference, but that isn't the big plan, is it? The big plan is to make a difference to the environment."* (Small manufacturing, London)

Some businesses, particularly those who were not really operating between during peak hours did welcome the reduced tariff concept.

## Appendix

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1. Recruitment Questionnaire
2. Discussion Guide
3. Stimulus Material used

# 1. Recruitment Questionnaire

Ofgem – SME Attitudes and Behaviours Research  
Recruitment Questionnaire  
Group Discussions / Depth Interviews

Company Name:

Name

(Mr/Mrs/Miss/Ms):

Job Title:

Company Address:

Postcode:

Telephone / Mobile No:

Email address:

to send confirmation

## GROUPS

- |    |                          |   |
|----|--------------------------|---|
| 1  | <input type="checkbox"/> | SMALL, RETAIL / CATERING – VENUE, LONDON – TUES 15 <sup>TH</sup> FEB – 6.30PM                                     |
| 2  | <input type="checkbox"/> | MICRO, REAL ESTATE / RENTING & BUSINESS ACTIVITIES / OFFICE – VENUE, LONDON – TUES 15 <sup>TH</sup> – 8.15PM      |
| 3  | <input type="checkbox"/> | SMALL, MANUFACTURING / CONSTRUCTION – VENUE, BIRMINGHAM – TUE 22 <sup>ND</sup> – 6.30PM                           |
| 4  | <input type="checkbox"/> | SMALL, SOCIAL / COMMUNITY – VENUE, BIRMINGHAM – TUE 22 <sup>ND</sup> – 8.15PM                                     |
| 5  | <input type="checkbox"/> | MICRO, RETAIL / CATERING – VENUE, CARDIFF – THURS 17 <sup>TH</sup> – 6.30PM                                       |
| 6  | <input type="checkbox"/> | SMALL, SOCIAL / COMMUNITY – VENUE, CARDIFF – THURS 17 <sup>TH</sup> – 8.15PM                                      |
| 7  | <input type="checkbox"/> | MICRO, MANUFACTURING / CONSTRUCTION – VENUE, MANCHESTER – WEDS 23 <sup>RD</sup> – 6.30PM                          |
| 8  | <input type="checkbox"/> | SMALL, REAL ESTATE / RENTING & BUSINESS ACTIVITIES / OFFICE – VENUE, MANCHESTER – WEDS 23 <sup>RD</sup> – 8.15PM  |
| 9  | <input type="checkbox"/> | SMALL, MANUFACTURING / CONSTRUCTION – VENUE, EDINBURGH – THURS 17 <sup>TH</sup> – 6.30PM                          |
| 10 | <input type="checkbox"/> | MICRO, REAL ESTATE / RENTING & BUSINESS ACTIVITIES / OFFICE, – VENUE, EDINBURGH – THURS 17 <sup>TH</sup> – 8.15PM |

DEPTHS

**Face to Face 15 depths**

Medium

4 Manufacturing

4 Real Estate

4 Retail

3 Social

PLUS:

4 Half Hourly Meters

**Telephone**

**Small 7 depths**

1 Manufacturing

2 Real Estate

2 Retail

2 Social

**Telephone**

**Micro 8 depths**

2 Manufacturing

2 Real Estate

2 Retail

2 Social

ACROSS ALL DEPTHS

Min 10 to have multiple sites

Introduction

**ASK TO SPEAK TO THE PERSON WITHIN THE BUSINESS WHO IS RESPONSIBLE FOR MAKING DECISIONS REGARDING GAS AND ELECTRICITY SUPPLIES**

Good morning/afternoon. My name is ..... and I work for Harris Interactive, an independent market research company. We are conducting some research on behalf of Ofgem, the regulator of Britain’s gas and electricity markets, who are interested in your opinions on how you use energy and your experiences with energy suppliers in the market.

IF NECESSARY:

*I can assure you that this is not a sales approach and everything you say shall remain completely confidential.*

Screening

S1 First of all, can I just confirm that you are the person within your business who is responsible for making decisions regarding your businesses gas and electricity supply – for example, negotiating prices and service agreements with energy suppliers and making decisions on whether to stay with or switch energy suppliers?

Yes, I am responsible for decision making	<input type="checkbox"/> 1	CONTINUE
No, refer to someone else	<input type="checkbox"/> 2	CONTINUE WITH REFERRAL
No, refuse	<input type="checkbox"/> 3	THANK & CLOSE

S2 And can I check whether you operate from... (READ OUT)		
A business premises (such as a factory, shop or office)	<input type="checkbox"/> 1	CONTINUE
A home office	<input type="checkbox"/> 2	THANK & CLOSE

S3 And are you able to make decisions on who supplies energy to your business premises ( <i>clarify if necessary – is this your decision rather than the owner of the property if different</i> ) (READ OUT)		
Yes – Able to choose suppliers	<input type="checkbox"/> 1	CONTINUE
No – Building owner decides	<input type="checkbox"/> 2	THANK & CLOSE

S4 And how many employees do you have within your organisation based in the UK? (READ OUT)		
1 – 10	<input type="checkbox"/> 1	CONTINUE (CODE AS MICRO)
11 – 50	<input type="checkbox"/> 2	CONTINUE (CODE AS SMALL)
51 – 250 (depths only)	<input type="checkbox"/> 3	CONTINUE (CODE AS MEDIUM)
More than 250	<input type="checkbox"/> 4	THANK & CLOSE

S5 And approximately, which of the following best describes your organisations annual turnover? (READ OUT)		
Less than £2 million	<input type="checkbox"/> 1	CONTINUE (CODE AS MICRO)
£2 million – £9 million	<input type="checkbox"/> 2	CONTINUE (CODE AS SMALL)
£10 million - £43 million (depths only)	<input type="checkbox"/> 3	CONTINUE (CODE AS MEDIUM)
More than £43 million	<input type="checkbox"/> 4	THANK & CLOSE
Refused	<input type="checkbox"/> 5	THANK & CLOSE

INTERVIEWER NOTE: USE THE CODING AS AN APPROXIMATION, EMPLOYEE NUMBERS ARE A MORE IMPORTANT FACTOR

S6 Which of the following sectors, if any, best describes your business? (READ OUT)		
Retail /catering	<input type="checkbox"/> 1	CONTINUE
Manufacturing/ Construction	<input type="checkbox"/> 2	CONTINUE
Real Estate/ Renting & Business/ Professional Services/ Office based	<input type="checkbox"/> 3	CONTINUE
Social / community	<input type="checkbox"/> 4	CONTINUE
Other	<input type="checkbox"/> 5	THANK & CLOSE

S6b IF MANUFACTURING (S6/2) Does your company fall into any of the following categories? (READ OUT)		
Steel	<input type="checkbox"/> 1	CHECK SPEND AND IF MORE THAN 100K THANK AND CLOSE
Chemicals	<input type="checkbox"/> 2	
Paper	<input type="checkbox"/> 3	
Cement	<input type="checkbox"/> 4	
Glass	<input type="checkbox"/> 5	
Ceramic manufacturing	<input type="checkbox"/> 6	
Aluminium	<input type="checkbox"/> 7	
Industrial gases	<input type="checkbox"/> 8	
None of these	<input type="checkbox"/> 9	CONTINUE

ASK ALL S7 And how many sites do you have within the UK?		
One	<input type="checkbox"/> 1	CONTINUE
Two or more	<input type="checkbox"/> 2	CONTINUE (MIN 10 FOR DEPTHS)

S8 Thinking now about energy usage, within your business, do you use... (READ OUT)		
Gas and electricity	<input type="checkbox"/> 1	CONTINUE
Gas only	<input type="checkbox"/> 2	THANK & CLOSE
Electricity only	<input type="checkbox"/> 3	THANK & CLOSE

#### Energy Information:

S9 Approximately how much does your business spend on <b>gas</b> in a year... (READ OUT)		
Up to £2,000	<input type="checkbox"/> 1	
More than £2,000 Up to £5,000	<input type="checkbox"/> 2	
More than £5,000, up to £10,000	<input type="checkbox"/> 3	
More than £10,000, up to £50,000	<input type="checkbox"/> 4	
More than £50,000 up to £100,000	<input type="checkbox"/> 5	
More than £100,000 up to £250,000	<input type="checkbox"/> 6	
More than £250,000	<input type="checkbox"/> 7	
Don't know / not sure	<input type="checkbox"/> 8	



S10 And approximately how much does your business spend on <b>electricity</b> in a year... (READ OUT)		
Up to £2,000	<input type="checkbox"/> 1	
More than £2,000 Up to £5,000	<input type="checkbox"/> 2	
More than £5,000, up to £10,000	<input type="checkbox"/> 3	
More than £10,000, up to £50,000	<input type="checkbox"/> 4	
More than £50,000 up to £100,000	<input type="checkbox"/> 5	
More than £100,000 up to £250,000	<input type="checkbox"/> 6	
More than £250,000	<input type="checkbox"/> 7	
Don't know / not sure	<input type="checkbox"/> 8	

S11 When deciding on your gas or electricity suppliers do you tend to go to them direct or use a broker or other intermediary?		
Go direct to the supplier	<input type="checkbox"/> 1	
Use a broker or other intermediary	<input type="checkbox"/> 2	

S12 In the last two to three years, have you ever switched your gas or electricity supplier?		
Yes – Switched gas supplier	<input type="checkbox"/> 1	
Yes – Switched electricity supplier	<input type="checkbox"/> 2	
Have not switched either	<input type="checkbox"/> 3	

S13 And do you have a fixed term contract with your gas and or electricity supplier?		
Yes – contract with gas supplier	<input type="checkbox"/> 1	
Yes – contract with electricity supplier	<input type="checkbox"/> 2	
No fixed contracts in place	<input type="checkbox"/> 3	
Don't know / not sure	<input type="checkbox"/> 4	

S14 Do you have either of the following types of meter installed at your business premises? (READ OUT)		
Smart meter	<input type="checkbox"/> 1	
AMR meter	<input type="checkbox"/> 2	
None of the above (Do not read out)	<input type="checkbox"/> 3	
Don't know / not sure	<input type="checkbox"/> 4	

S15 Is your electricity supply provided on half hourly metering (READ OUT)		
Yes	<input type="checkbox"/> 3	AT LEAST FOUR DEPTHS
No	<input type="checkbox"/> 2	
Don't know / not sure	<input type="checkbox"/> 3	

**RECRUIT FOR IN-DEPTH INTERVIEWS**

Thank you for your help so far, we are looking to conduct a number of in-depth interviews and would very much like you to take part to discuss your views and opinions on energy usage within your organisation and your opinions on energy suppliers and the services they provide to you. The discussion will take approximately **one hour (face-to-face) / forty-five minutes (telephone)**, be conducted at a time convenient for you and, if appropriate, one of our researchers would be happy to visit your office/place of work to conduct the interview (**face-to-face only**).

As a 'thank you' for taking part we will offer you £50 in either cash or as a donation to charity.

S16 Would you be interested in taking part?		
Yes (CHECK QUOTA)	<input type="checkbox"/> 1	RECRUIT TO FACE-TO-FACE DEPTH
Yes (CHECK QUOTA)	<input type="checkbox"/> 2	RECRUIT TO TELEPHONE DEPTH
No	<input type="checkbox"/> 2	THANK & CLOSE

**RECRUIT FOR GROUP DISCUSSIONS**

Thank you for your help so far, we are looking to conduct a discussion group and would very much like you to take part to discuss your views and opinions on energy usage within your organisation and your opinions on energy suppliers and the services they provide to you. The group will take part in the evening in a central venue in **[INSERT LOCATION]** and there will be approximately 4 other people attending. The discussion will last for one and a half hours and as a 'thank you' for taking part you will receive £75 cash on the night.

S17 Would you be interested in taking part?		
Yes (CHECK QUOTA)	<input type="checkbox"/> 1	RECRUIT TO GROUP
No	<input type="checkbox"/> 2	THANK & CLOSE

S18 For ease of analysis, the discussion will be audio recorded [and video recorded (Groups only)]. None of your comments will be attributed back to you unless you otherwise give permission. Would you still be happy to take part if it is recorded?		
Yes	<input type="checkbox"/> 1	CONTINUE
No	<input type="checkbox"/> 2	THANK & CLOSE

S19 Our client may come along to view the group discussion to allow them to hear your views first hand. Would you still be happy to take part if the discussion is viewed?		
Yes	<input type="checkbox"/> 1	CONTINUE
No	<input type="checkbox"/> 2	THANK & CLOSE

S20 Finally, we may wish to record specific views on a hand held camera at the end of the group / depth interview (face-to-face only). You may have heard of these referred to as Vox Pops and seen them on news items. They really help to bring the research alive. Would you be happy for this to happen?		
Yes	<input type="checkbox"/> 1	
No	<input type="checkbox"/> 2	NOTE RESPONSE

Thank you for your help. We will send out an email to confirm the details of the discussion.

**RECRUITER TO USE THE PHONETIC ALPHABET TO ENSURE EMAIL IS CORRECT.**

Can I just remind you that this interview is part of a market research survey being carried out by Harris Interactive. If you want to verify that we are a bona fide agency, I can give you the Free phone number of the Market Research Society to ring.  
**GIVE NUMBER IF REQUIRED (0500 396 999). Or you can call Lisa Garthside at our London offices on 0208 263 5228**

## 2. Discussion Guide

### Ofgem – Understanding SME's - Discussion Guide -

#### Introduction

10 mins

Thank you very much for agreeing to participate today

- Ask permission to record the discussion for analysis purposes
- Introduce purpose:
  - *The research is to understand your businesses' use of energy and your experiences with energy suppliers in the market.*
- Introduce group process and moderator
- MRS Code of conduct:
  - *You can be assured that this interview will be conducted within the MRS Code of conduct, which ensures complete confidentiality. Your responses will only be attributed to you if you give permission for us to do so*
- Introduce Vox Pops:
  - *At the end of the group discussion we may ask you to repeat some of your comments to the camera*
- Respondent introduction:
  - Role, responsibilities, how long been in that role, type of company (employees, sector, culture)
  - Current electricity / gas suppliers
  - Length of time with current suppliers

#### 1. Context: Usage and Understanding of Energy

10 mins

***I'd like to start by understanding a bit more about you and your organisation***

- What responsibilities do you have regarding the selection and management of energy suppliers for your business? (as ice breaker)
- Approximately what proportion of your time is devoted to managing your gas and electric supply/the suppliers that you use?
  - Is it a main part of your role or just one of many responsibilities?
  - Is anyone else in the organisation involved? IF YES, What role do they have?
- Does the energy usage of your business vary over the course of a typical day, and if so are you are aware of how it varies e.g.
  - Do you use different levels at different times of the day?
  - Does it vary day by day? Month by month?
  - Is it seasonal i.e. different at different times of the year?
- Would you consider your company a light user/heavy user of gas and electricity?
- How would you describe your company's level of expenditure on energy (gas and electricity)?
  - What proportion of outgoings does it represent?
  - How does it compare with other overheads? (*Moderator note: we are looking to get a view on current prices*)

#### 2. Choosing a Supplier

10 mins

*Let's talk through what's involved in selecting a gas or electric supplier for your company*

- First of all, what do you look for in an energy supplier?
  - Is it simply a power/heating/light supply?
  - Is it principally a price decision or do you look to the supplier to provide other services?
  - What other services are important? Probe for:
    - Monitoring supply, billing, responsiveness, account management, energy efficiency, communications, customer service or support ...
    - What elements of their service do you value the most?
- Is there any difference between your needs from a gas supplier and an electricity supplier?
- When selecting a supplier – how do you approach this?
  - Go direct to suppliers (work with a shortlist or go to the whole market)?
  - Use search engines, Word of mouth, Industry association?
  - Do you find tariffs easy to understand and compare across suppliers?
  - Are any external agents/brokers involved?
    - Who are they? / What is their role? / at what point do they get involved?
  - How do you find out what deals are available?
    - Do you go to suppliers or do they market to you? (letter, phone calls, advertising, word of mouth)?
- Thinking about your current suppliers, what specifically made you decide to use them?
  - Would you say you are satisfied with your current supplier?

### 3. Role of the Broker

10 mins

*I would now like to think specifically about the external agents or brokers (as relevant from response above)*

- IF USE A BROKER: Why do you use a broker? What made you go to them in the first place?
- What are the advantages of using them?
- What are disadvantages or drawbacks?
  - How would you describe your relationship with your broker?
  - What specific role / tasks do they undertake for you?
  - In what ways do they help you in managing your relationship with your suppliers?
  - Do they keep in touch and make recommendations throughout the year or just at key points?
  - How do you pay for your brokers services? What level of transparency do they have in terms of commission from supplier?
    - What impact does this have on how you deal with them?
- IF DON'T USE A BROKER: Are you aware of them?
- Any reason you don't use them, have stopped using them?

### 4. The Current Supplier Contract

10 mins

*I would now like to think about contracts that you may have with your suppliers*

- Are you aware of the type of contract you have with your supplier
- To your knowledge, do you have a written contract with your supplier?
  - Did you agree your contract over the phone?
  - Have you always had a written contract with them or is this a recent development?
  - Have you felt that you have needed a contract?
  - Is this something you actively appreciate? / Not worried either way?
    - IF APPRECIATE: What are the benefits?
- In terms of the contract content...
  - Is the contract easy to understand? Is it written in plain English?
  - Is there anything you feel could be clearer? (Probe on level of transparency, complaints procedures, tie in periods, etc.)
- **For all:**
- In terms of contract period - do you know when the contract expires?
- Is this clearly communicated?
- If you recently came to an end of a contract, were you sent a reminder notice?
  - Did you accept the renewal or look at alternatives
    - Did you talk to your supplier about the price at all? IF YES Why?
- Do you know what happens at the end of your contract
- Overall how satisfied are you with the contract?
- For those who do not have written contracts:
  - Is this something you would like to see?
  - What would you like it to include?

- What advantages would you expect to get from having a contract?
- How does your relationship with your supplier work without a contract?

**ASK ALL:**

- Overall do you understand your energy bill?
  - What would you change about the bill?

I would now like to talk about **back billing** – is this a term that anyone has heard of?

- What do you understand by back billing (*then give respondent clear definition of back billing*)
- **SHOWCARD A**
- What do you think of that concept?
- Have you ever been affected by back billing by your supplier?
  - Which company was this?
  - How long were you back billed for?
  - What was the level of payment required?
  - Was this something you were expecting?
- What was the effect of this on your company?
  - How did it affect your relationship with your supplier?
  - How did your supplier handle the situation?
    - Did they offer any help in terms of reducing the length of the back billing /was there any negotiation e.g. creating payment terms to suit, etc. Did they offer concessions if the supplier admitted it was their fault.
  - Was it resolved to your satisfaction?

**5. Attitudes to Switching**

**10 mins**

*I would now like to think about the opportunity to change supply.*

- Do you (or through your broker) actively make a decision to review your supply on a regular basis?
- Have you ever switched supplier?
  - When was the last time you switched?
  - What made you switch?
    - were you approached by another supplier, were you actively comparing prices?
  - Did you save money by switching?
  - What was the actual experience like?
    - Did your supplier do anything to try to stop you switching?
      - What effect did this have?
        - Did you continue with the switch or did it make you stop?
        - Why did they try to stop you?
        - Did you challenge the objection?
        - Did you look for any support to help you challenge the objection?
      - What happened in the end?
      - Did the objection cost you anything (*looking to see if e.g. they you put on an unfavourable tariff because the contract had ended*)
    - Who was the particular supplier who tried to prevent you switching?

**ASK ALL**

- What prompts you to think about switching? Would you say you
  - Have systems in place to make sure you always get competitive quotes
  - Don't really know when or how to go about getting competitive quotes
- WHERE SYSTEMS IN PLACE: What are those systems?
  - Are you prompted by the supplier or broker or do you keep track internally and have to approach them?

**ASK ALL**

- Would you say it is good to switch suppliers or better to stay with the same one?
  - Why do you say that?
  - What would you say are the reasons you would stay with a supplier?
    - Specifically, what is good about staying with a supplier?
  - What are the benefits of switching?
  - What stops you switching?
- Were you notified before the end of your contract that the contract was coming to an end?
  - How did this happen?
  - Was it through a visit, a call, a letter? Some other way?
- Should you be notified when you are able to switch?
- Were you aware that you have a window at the end of your contract in which you can freely switch?

- **IF NEVER SWITCHED SUPPLIER**

- You say you have not switched supplier. Why is this?

**ASK ALL**

- If you do not agree a new deal, your **contract may have rolled over**
  - Did you know this could happen?
  - Has this happened to you?
  - How did / would you feel about this?
  - Were you aware this was going to happen?
  - What were the terms of the new contract?
    - Were they better or worse than the old one?
  - Did you try to get out of it when you realised what had happened?
  - How could it/ should it have been managed differently?
- Have you ever tried to switch at a point when the supplier did not have to let you switch (i.e. OUTSIDE your contract term)?
  - Did the supplier or broker try to stop you?
  - IF YES:
    - What did they do?
    - Do you know why they tried to stop you?
    - Did you manage to switch or did they successfully stop you?
    - Which supplier was this?

**6. Demand Management**

15 mins

**I would now like to talk about how you manage your use of electricity and gas.**

- Do you as a company monitor and manage your usage of electricity and gas? (ALSO REFER BACK TO SECTION 1)
  - How do you do this?
    - e.g. for electricity do you have automatic lights/ make sure they are turned off manually,
  - What makes you manage your energy usage?
    - Does it help save costs?
    - Is it part of your company ethos or something you feel you have to do?
    - Is it to help carbon emissions, the environment?
    - Is there some other reason?

*I would now like to talk about the Meters you have.*

- What sort of meters do you have at your premises?
- Have these been installed for a long time / recently replaced?
- Are you aware of AMR? Smart Meters? (IF NOT, EXPLAIN THAT THEY SEND THE METER READING REMOTELY AND ALLOW THE BILLS TO BE PRODUCED ON ACCURATE READINGS NOT ESTIMATES. CUSTOMERS CAN ACCESS THE DATA ON THEIR USAGE THROUGH THE SUPPLIERS WEBSITE)
  - What do you feel are the benefits of an AMR or Smart Meter?
    - Will it help you to measure your energy usage?
- IF AMR/SMART METERS INSTALLED:
  - What effect, if anything, has the smart meter had on your energy usage?
    - Probe: Altered behaviour / altered awareness of energy usage, etc.?
    - Do you manage it online?
  - Do you have any concerns about the smart meter?
- Have you invested in anything to help you make energy savings (*if necessary, needs to be clear this is separate from meters which can help reduce consumption*)?
  - What have you done?
    - Was it a large or small investment?
    - Is it something you can take with you if you moved premises or does it impact the fabric of the building
  - Do you feel the investment you made was worth it?
    - Have you seen a difference as a result of the changes you made
  - Have you done it by yourself or employed someone else to look at it?
    - IF SOMEONE ELSE
      - Who else have you involved
      - Why did you involve them?
      - What expertise do they bring?
      - What added cost do they bring?

- What help would you like to assist you in saving energy?
  - Who should offer this?
    - The government
    - Suppliers
    - Brokers
    - Someone else?
  
- Do your suppliers offer you advice and support on energy reduction
  - What do they offer?
  - How would you rate this offer?
  - What should they be offering?
  
- There are **External Bodies** that can help you with managing your usage of electricity. . Prompt: Are you aware of the Carbon Trust/ Energy Saving Trust? What do you know of the Carbon Trust, (Energy Saving Trust)
  - Have you used the Carbon Trust? The Energy Saving Trust?
  - What sort of company do you think would be interested in this?
    - Would you be interested in this?
    - (PROBE for ways to move their company more in line with the ‘interested company’)
    - Prompt: Are there any other bodies (e.g. Trade Assoc).
  
- Are you aware that you can produce your own energy
  - What do you understand by this? (**then need to explain**) **SHOWCARD D**
  - Have you any experience of producing your own energy? (What)
    - Would you be interested in generating your own heat?
    - Selling it back to the grid?
  - What would encourage you to use it? Would you need back up generation?
  - What sort of company do you think would be interested in producing their own energy?
    - (PROBE for ways to move their company more in line with the ‘interested company’)

## 7. Demand Side Response

5 mins

*I would now like to discuss demand side response where you shift energy consumption from times of high consumption to low consumption*

- **Introduce graphical demand vs. hypothetical with DSR (SHOWCARD F if necessary)**
- Explain that the graph shows how demand can be smoothed over the day
  - Would you be able to shift your usage of electricity that you used less at the peak times
  - (example would be a corner shop who may be able to turn the fridge off from 5-7pm – would this work)
- What sort of company do you think would be interested in this?
  - (PROBE for ways to move their company more in line with the ‘interested company’)
  
- Some companies are able to have a contract which offers different tariffs at different times of the day and to reduce their costs by avoiding the more expensive peak hours?
  - How would it work in your organisation?
  - Is this something your company would consider?
  - What sort of company might benefit from this?
  - How could we encourage you to take it up
  
- A more formal contract could be put in place so that you agree to match your consumption to less peak hours so that you are obliged to use less electricity at peak times. This would be for a financial benefit.
  - How would it work in your organisation?
  - Is this something your company would consider?
  - What sort of company might benefit from this?
  - How could we encourage you to take it up

## 8. Summary and Close

5 mins

- From your experience, do you think the energy market is working for you?
- From everything we have discussed today, if you could create the best energy provider of the future what would they look like/offer?
  - How could they assist you further,
  - How might they help you to manage the energy aspect of your business going forward?
- Finally, do you have any other key concerns that you would like to raise with Ofgem?



- Thank you very much for your valuable time today. Just before we close I can confirm that this interview has been conducted within the MRS code of conduct, which ensures complete confidentiality.
- Ask some respondents to stay behind for VOX Pops.

### 3. Stimulus Material

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CARD A

## Back Billing

- Back billing happens when a supplier realises they have not been charging a customer correctly (for example, when a bill has been estimated).
- It is possible for a supplier to go back several years.

CARD B

## Automatic Meter Reading (AMR)

- Allows energy suppliers to take remote meter readings of gas or electricity
- Allows bills to be produced on accurate readings rather than estimates
- Customer can access the data through an account on the suppliers website



CARD C

## Smart Metering

- Allows energy suppliers to take remote meter readings of gas or electricity
- Allows bills to be produced on accurate readings rather than estimates
- Customer can access the data through an account on the suppliers website
- Hour by hour usage figures allow customers to monitor energy usage
- Government requirement for all small businesses to move to smart meters by 2020, unless an agreement is in place to use advanced meters.



CARD D

## Producing your own energy

The small-scale generation of heat and power by small businesses and communities to meet their own needs (called 'microgeneration' below 50kwh limit)

Can be achieved through: wind turbines, solar panels, heat pumps (ground, air source ...), hydro power, biomass (logs, pellets)

You can be paid for power/heat you generate in these ways



