

27 November 2008

Office of Gas and Electricity Markets
9 Millbank
London
SW1P 3GE

Dear Ms Berge and Ms Tyler

Ofgem: Energy Supply Probe- Initial Findings Report

ACS (the Association of Convenience Stores – Annex 1) is a trade association representing over 33 000 local shops throughout the UK. We offer our members lobbying, networking and advice. One of the areas that we give advice on is about dealings between retailers and their energy suppliers. For this reason we welcome Ofgem's investigation into the energy supply market and hope that you are able to make use of our comments.

On Ofgem's recommendations within 'Action 4: helping small business customers' we would like to comment on each recommendation in turn.

- *A requirement to inform small business customers clearly in writing of the key terms and conditions in their contracts, especially those related to switching and contract roll-over*

We think that this move is of the utmost importance as this is an area that has negatively impacted on many of ACS' members. Many retailers find that they have received no notification of the end of their contract and that when their contract is automatically renewed without their knowledge the costs that they are paying become extremely unfavourable. Others will receive notification but due to the very small time scales they have in which to switch suppliers combined with the difficulty of finding independent and clear advice about the best deals available and the busy live of a retailer they do not change.

If retailers are informed with an adequate period of notice when their contract is due for renewal they are more likely to understand their energy contracts and be able to secure the best, most compatible deals.

- *A requirement to institute a code of practice to govern the objections and switching process, in order to ensure much greater uniformity in the arrangements for changing supplier and contract extension*

ACS supports the introduction of a code of practice to govern the contract switching process. This should include a prohibition on verbal agreements

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through door to door sales people. In the case of a verbal agreement made over the phone then this should be followed up with a written statement outlining the terms of the contract and a 28 day cooling off period. The non domestic customer should sign up to these contract terms and send the signed agreement back to the energy company. This would show that the non domestic customer had received the contract in the post and that they fully understand the terms of the contract. This would avoid examples such as those described by the London retailer in point 10.23. This testament also shows that 'verbal contractual agreements' often lead to rushed decisions and businesses being locked into an unsuitable contract for many years following this. ACS would like to be involved in the development of this Code of Practice.

Additionally we would like points included in the Code of Practice to prevent the unsuitable customer relations practices that energy companies adopt when there is a discrepancy over a billing amount. We have been made aware of examples of the following practices, all of which should be prohibited by the Code of Practice;

- Retailers do not have a single contact to speak to at energy companies to discuss a case;
- Energywatch was little use and that retailers felt alone in these expensive 'David and Goliath' style disputes
- Energy companies would quickly contract out to debt collecting companies who would come to businesses in the middle of the day wearing jackets saying 'bailiff' and bullying retailers into paying up.

There needs to be a proper system put in place to resolve disputes over bills without small businesses being bullied into paying well over the odds. One retailer within ACS' membership believes they ended up paying nearly £20,000 more than they needed to – an enormous amount for a small independent business.

- *An extension of the accreditation scheme for switching sites to cover those dealing with small business consumers, in order to reduce confusion and ensure tariff information is presented in an easily understandable format*

ACS thinks that extending the accreditation scheme for switching sites to include small businesses consumers is an important part of giving businesses more options and knowledge about where they can go to get energy and about how to get the best option for them. This website should include clear explanations on all the different forms of contracts available and advice on the type of contract that might be best for them.

- *A strengthening of the existing industry code of practice for Third Party Intermediaries (TPIs) with new provisions requiring TPIs to tell consumers*

how they are remunerated and whether they provide information on all or only some suppliers

It is vital that consumers are aware who the TPIs are working for and if they have vested interests on behalf of an energy company. It is necessary to develop a standard procedure by which TPI's disclose this information. Reducing confusion in this area will foster trust so that retailers will use TPIs to hear about the full range of energy contacts that are available to them.

If you would like any more information on the experiences of the convenience store sector and energy supply or on anything included in this letter please contact Helen Davies on helen.davies@acs.org.uk or on 01252 515001.

Yours sincerely



Shane Brennan
Public Affairs Director

Annex 1

THE ASSOCIATION OF CONVENIENCE STORES

ACS is the trade body representing the interests of over 33,000 convenience stores operating in city centres as well as rural and suburban areas. Members include familiar names such as Costcutter, Spar and Musgrave, as well as independent stores operating under their own fascia. Our members operate small grocers, off-licence or petrol forecourt shops with between 500 and 3,000 square feet of selling space.