

 <p>British Chambers of Commerce The Ultimate Business Network</p>	<p>British Chambers of Commerce Response: OFGEM Energy Supply Probe November 2008</p>
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About the BCC

The British Chambers of Commerce is the national body for a powerful and influential Network of Accredited Chambers of Commerce across the UK; a Network that directly serves not only its member businesses, but the wider business community.

Representing 100,000 businesses who together employ more than 5 million employees, the British Chambers of Commerce is The Ultimate Business Network. Every Chamber sits at the very heart of its local community working with businesses to grow and develop by sharing opportunities, knowledge and know-how.

No other organisation makes such a difference to business as the British Chambers of Commerce.

Introduction

The British Chambers of Commerce welcome's OFGEM's Energy Supply Probe which recognises the differing requirements of small to medium businesses (SMEs). The energy supply market for SMEs is currently neither fair nor transparent for business users and as a result companies can be exploited by the energy supply companies. With energy prices continually rising this is becoming an ever more pressing problem This is also to be confounded due to the amalgamation of Energy Watch into Consumer Focus with Postwatch and the National Consumer Council.

The BCC is would like to see an independent and dedicated watchdog to be established, which is specifically focussed on the energy concerns and needs of business. Energywatch analysis showed that they receive 32,000 calls from businesses seeking help and advice every year. A new and dedicated business watchdog would ensure that this vital service is not lost in the creation of a single consumer group covering a range of industries.

BCC response to Action 4: helping small business consumers

- 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

The British Chambers of Commerce welcomes moves in this direction. However, we would require further information on whether this requirement is to be optional or mandatory. Our members have found contract conditions are often difficult to understand or are not adequately explained. In particular our members have found that due to a lack of transparency they have often been effectively 'locked' into a contract with a particular supplier. We would like to see early notification of contract renewal dates to allow a business to negotiate new terms or seek information about competing suppliers.

Contract notification should also be marked out separately from general communications so that it is self evident to the business concerned that the mailing is important.

The BCC would also be keen to put forward the suggestion of a cooling off period for businesses who are rolled over into a new contract. While it is understood that the business market does differ from the consumer market it is important that businesses have the ability to leave a supplier if they are unhappy with the level of service or wish to switch to a new supplier. This is essential to greater competition.

Suggested Solutions:

- Ensure customers are aware of rollover/contract extension clauses at the beginning of the contract.
 - Contact the customer at least 28 days prior to any 'break' deadline, advising them of the deadline and any actions required. Here the burden of proof should be on the supplier to positively show that the customer has been contacted.
 - Allow the customer at least a 28 day period in which to advise the supplier they were terminating the contract
 - Limit automatic rollover/contract extensions to 12 months.
- 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

The British Chambers of Commerce welcomes OFGEM's recommendation to institute a code of practice. Many members have notified the BCC that the use of the objections process has been used on many occasions to effectively force businesses to stay with a particular supplier. This practice limits choice and locks businesses into uncompetitive tariffs.

- 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

The British Chambers of Commerce welcomes this proposal. It is important that businesses have as much information at their disposal when choosing suppliers. The British Chambers of Commerce has suggested that OFGEM itself should offer a visible accreditation standard to be displayed on switching sites to engender trust among the business community.

- 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

The British Chambers of Commerce welcomes the move to strengthen the existing code of practice for TPIs.

Additional Concerns

- The British Chambers of Commerce is concerned that the recent merger of the National Consumer Council, Energywatch and Postwatch into a super watchdog, Consumer Focus, has left small businesses without a vital recourse. The BCC would like to see a new, independent and dedicated watchdog to be established, which is specifically focussed on the energy concerns and needs of business. Energywatch analysis shows that they receive 32,000 calls from businesses seeking help and advice every year. A new and dedicated business watchdog would ensure that

this vital service is not lost in the creation of a single consumer group covering a range of industries.

Differences between Consumer and domestic markets

DOMESTIC		BUSINESS	
Provision of pricing Domestic suppliers are required by regulation to provide details of their tariffs, for ease of comparison upon request by any person. (Supply License Condition 22.7)	√	X	No regulatory requirement for business suppliers to do so. Contracts are bespoke, individually priced.
Right to change your mind Cooling off period on verbal contracts (from OFT Distance Selling Regulations)	√	X	Verbal contracts are immediately binding – no cooling off period.
Impartial price comparison information Many domestic price comparison services. Accreditation scheme for price comparison sites: energywatch Confidence Code ensures accurate, impartial and consistent advice to consumers.	√	X	Some independent price comparison sites. No Accreditation scheme.
Short term rolling contracts The basic domestic contract allows switching every 28 days. (License Condition)	√	X	Long term commitment through fixed term contracts 1-2 and up to 5 years long. Heavy reliance on contracts that renew automatically - “evergreen”.
Supplier Codes of Practice For sales and marketing (AES Code of Practice on Face to Face Marketing); Incorrect Transfer of Supplier (The Erroneous Transfer Customer Charter) and Billing (The Energy Retail Association Billing Code of Practice); Domestic disconnections are restricted by regulation	√	X	No industry self regulation of commercial conditions of supply: “caveat emptor”. For example, doorstep or distance selling are not bound by a Code of Practice.
Access to consumer protection e.g. Citizens Advice Bureau, Unfair Contract Terms Act.	√	X	Only recourse is the law courts. Ofgem assumes that small businesses can look after themselves.
Back billing restrictions Restricted to 1 year by the self regulatory code: Energy Retail Association Billing Code and individual suppliers’ codes.	√	X	Each case needs to be investigated individually in conjunction with the specific terms conditions of the consumer’s contract but generally there is no restriction.
Repayment Domestic suppliers must take into consideration consumer’s circumstances and ability to pay and	√	X	Business suppliers are under no obligation to provide any repayment scheme no matter what the consumer’s

make special arrangements for repayment. Options include weekly, fortnightly and monthly installments and prepayment meters. (Supply License Condition 27).			circumstances are or how the debt balance has accrued.
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