



POLICY UNIT

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November 28, 2008

Claire Tyler
OFGEM
9 Milbank
London
SW1P 3GE

Dear Claire

Re: Energy Supply Probe – Initial Findings Report

The Federation of Small Businesses is the UK's leading non-party political lobbying group for UK small businesses existing to promote and protect the interests of all who own and/or manage their own businesses. With over 215,000 members, the FSB is also the largest organisation representing small and medium sized businesses in the UK.

General Comments:

The FSB welcomes the report and its proposed reforms, particularly welcome is the fact that OFGEM recognises that small businesses and domestic consumers are similar in terms of experience and potential vulnerability in the energy market.

The FSB remains concerned that as of 1 October this year small businesses do not have access to independent first tier advice. The FSB conducted a snap poll of members in July this year, the poll went to 23 000 FSB members, 1063 members from a range of sectors responded:



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57% had lodged a complaint against their gas and electricity supplier compared to 43% who had not. 51% of those who had lodged a complaint had considered it was dealt with satisfactorily whereas 49% said the problem had not been resolved to their satisfaction. Out of 5 possible reasons for complaints, 46% cited billing problems, 24% switching supplier, 21% inaccurate meter reading and 9% customer service

The survey results were widely reported in the press and provided clear evidence that significant problems remain for small businesses in the energy market.

The findings of the Energy Supply Probe have identified the key areas of concern for small businesses. These include complex terms and conditions; unclear contract rollover arrangements and vague information on procedures for switching suppliers. Other problem areas for FSB members include direct selling methods and poor customer service overall.

Recommendations:

The following recommendations were developed with Energywatch and are in many respects similar to OFGEM's action plan to help engage and inform consumers:

- A standard set of terms and conditions across all suppliers that are clear and easy to understand.
- Introduce requirements that mirror good practice in other sectors, the financial sector provide a 'key facts' sheet ahead of customers signing a contract this would be helpful for busy small businesses.
- Provide a cooling off period for small businesses, the FSB has collected evidence that businesses often agree a contract over the telephone and are unaware that this verbal contract is binding.
- In terms of Third Party Intermediaries (TPIs), the FSB would recommend that TPIs disclose whether they have received a fee or commission from suppliers.

FEDERATION OF SMALL BUSINESSES
PRESS AND PARLIAMENTARY OFFICE



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Conclusion

Finally, the current economic climate has hit small businesses particularly hard and the FSB would urge OFGEM to move quickly to implement the reforms outlined in the report and those recommended by the FSB.

If you require further detail on any of the issues raised in this submission, please do not hesitate to contact me.

Kind regards
Yours sincerely

Nyree Connell

Nyree Connell
FSB Policy Unit – Environmental & Energy