

**R/19**

**15 April 2009**

## **NEW PROPOSALS TO BEEF UP PROTECTION FOR SMALL BUSINESS CUSTOMERS**

- **Detailed proposals published to ban automatic roll-over of contracts and improve transparency of energy deals for micro-business customers.**
- **Ofgem encouraging energy brokers and advisors to explain to micro-businesses how they are funded and which suppliers they cover.**
- **Package of measures to help micro-businesses will enable them to engage more effectively in the market and secure better deals for energy.**

Energy regulator Ofgem has today (Wednesday) unveiled proposals to give small businesses better protection in the energy market.

The proposals are part of reforms Ofgem will introduce following its energy supply probe. They are aimed at micro-businesses – companies that have fewer than ten employees or one of a number of other characteristics. The proposals include a ban on the automatic roll-over of fixed-term contracts which has resulted in some businesses being locked, without being aware, into unfavourable long-term contracts.

Other key provisions are:

- a proposal to work with Consumer Focus to widen its switching website accreditation scheme to cover sites which compare business energy deals;
- new standards for business contracts meaning suppliers must provide, in writing, a full copy of contract terms and conditions each time a customer signs, and they must highlight key terms and conditions such as the availability of any cooling-off periods; and
- recommendations that energy brokers and advisors develop existing or new codes of practice with guidance from the Office of Fair Trading and ensure that accredited brokers explain to customers how they are funded and which suppliers are covered by their services.

Ofgem Chief Executive, Alistair Buchanan, said: "Our investigation showed that small businesses are being woefully served by energy suppliers. This has to change. We anticipate that the package of measures we want to introduce will improve business customers' ability to engage effectively in the market."

Ofgem's proposals are part of a package of remedies to improve the experience of domestic and business customers in the energy market. Today's proposals include other measures that Ofgem wants to introduce to improve protection for household customers. Alongside today's proposals, Ofgem is amid consultation with stakeholders on the drafting of licence conditions to ban unjustified price differences between payment methods for domestic bills.

Stakeholders will have until the end of May to respond to the package of the proposals announced today. Ofgem aims to have all the rule changes in place for domestic and business customers for this autumn.

## **Notes to Editors**

### **1. Micro-businesses**

A micro-business is defined as including businesses that employ fewer than ten people; or which use less than 200,000 kWh of gas a year or 55,000 kWh of electricity a year; or which have an annual turnover of less than 2 million euros. Ofgem is focusing its remedies to protect businesses on these companies because our estimate is that up to 70 per cent of all small and medium-sized businesses are micro-businesses. This is also consistent with the protection given to micro-businesses through the complaint handling standards which Ofgem has set for energy companies in accordance with the requirements of the Consumers, Estate Agents and Redress Act.

Suppliers should provide customers with advanced notification that their existing fixed-term agreement is about to expire. At this time, suppliers should also provide clear information about the actions that customers need to take to agree a new contract or switch supplier. We would expect suppliers to give a customer a minimum of one month to respond from the time they receive the letter; this will allow customers adequate time to consider their next contract. We also propose that renewal letters highlight the action a customer is expected to take.

### **2. Measures to resolve issues in energy retail markets**

Following a decision by Ofgem's governing authority the regulator has today published a consultation on the remedies to better protect domestic and business energy customers. The domestic consumer remedies include obligations on suppliers to provide:

- a standard annual statement covering, among other things, the tariff name, the customer's consumption and a reminder of the customer's right to switch;
- simplified information on tariffs to make comparison easier including an at-a-glance price score card to help consumers in switching;
- written quotations following doorstep sales and, for pre-payment meter customers, proof that the offer made on the doorstep is better than the customer's existing deal;
- greater financial transparency to give consumers confidence that the market is competitive and fair.

Suppliers will be expected to deal fairly with domestic customers. This will be spelt out at the head of the retail remedies package in a set of new, overarching standards of conduct that suppliers should meet. The standards will complement the licence conditions that will deliver the new retail remedies package and will remind suppliers of what customers should expect of them in all instances.

### **3. Ban on unjustified pricing**

Ofgem's governing Authority is minded to introduce a new licence condition on suppliers that will ban unjustified price differences in payment methods for households. It will require that prices reflect the costs to the companies. For example, prices charged under different payment methods such as pre-payment meters and direct debit will have to reflect the cost to the supplier of offering those payment methods. The proposal is that the undue discrimination licence condition will be removed after three years. The purpose of this "sunset clause" is to allow the retail market measures to come into play. Stakeholders have until 13 May to respond to the consultation on this proposed licence condition.

**4.** Ofgem is the Office of the Gas and Electricity Markets, which supports the Gas and Electricity Markets Authority, the regulator of the gas and electricity industries in Great Britain. The Authority's powers and duties are largely provided for in statute, principally the Gas Act 1986, the Electricity Act 1989, the Utilities Act 2000, the Competition Act 1998, the Enterprise Act 2002, the Energy Act 2004 as well as arising from directly effective European Community legislation.

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