



Stefan Bojanowski  
Retail Market Review Team  
Ofgem

Via email: [rmr@ofgem.gov.uk](mailto:rmr@ofgem.gov.uk)

**June 2011**

Dear Mr Bojanowski,

**RE: FSB's response to the Retail Market Review – Findings and proposals  
consultation**

The Federation of Small Businesses (FSB) welcomes the opportunity to respond to the above named consultation.

The FSB is the UK's leading business organisation. It exists to protect and promote the interests of the self-employed and all those who run their own business. The FSB is non-party political, and with 205,000 members, it is also the largest organisation representing small and medium sized businesses in the UK.

Small businesses make up 99.3 per cent of all businesses in the UK, and make a huge contribution to the UK economy. They contribute 51 per cent of the GDP and employ 58 per cent of the private sector workforce.

Britain's small businesses, particularly micro businesses with less than 10 employees continue to be negatively impacted by the trading conditions on the non-domestic market. They are too small to be able to negotiate with their buying power against energy suppliers, and they are not, like domestic customers, considered an important enough entity to protect as they do not have the same voting power. In this sense, micro sized business customers on the non-domestic energy market fall between two chairs and remain unprotected, despite having the same needs for protection and level of consumption as domestic customers.

We trust that you will find our comments helpful and that they will be taken into consideration.

Yours sincerely,

Professor Neil Hoose  
Chairman of the Infrastructure Policy Unit  
Federation of Small Businesses



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*The UK's Leading Business Organisation*



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# **FSB's response to the Retail Market Review – Findings and Proposals Consultation**

**June 2011**



In a recent survey by the FSB Small Business Survey Panel, which had 1,700 responses, members have said that the future provision of cheap and reliable energy is very important to them. A staggering eight in ten small firms, say they are concerned about future provision and cost of energy to their business.

Small businesses behave in a similar way to domestic energy users, in terms of lack of expertise and levels of energy consumption; but do not receive the regulatory safeguards that domestic users enjoy and are unable to negotiate contracts like large industrial users do.

Eighteen per cent of small businesses are concerned about their limited knowledge and understanding of energy contracts. A similar number say they are worried about their restricted knowledge of energy options open to their business.

Small businesses are penalised by energy suppliers because of their limited purchasing power and unpredictability of demand. Recent work by Consumer Focus also suggests that micro-businesses are unfairly treated by energy suppliers, especially in comparison with customers on the domestic market. The FSB believes that, for the reasons outlined above, small businesses should receive the same protections as domestic users.

Similarly, there are concerns about the transparency and fairness of contract terms by the energy suppliers. Many small businesses are unaware of their contract terms and, for example, only discover the perils of a contract roll-over, once they are locked in to a further 12 month period (often at a much higher rate than if they had shopped around for alternatives).

As many as eight in ten small businesses support the full abolition of automatic roll-over contracts. The FSB is calling on Ofgem to change its position and abolish the current maximum 12 month roll-over period.

Ofgem's argument for keeping the roll-over contracts is the risk to the business customer of falling into deemed rates, a specially inflated tariff, if they fail to renew their contract at the end of the term. However, if micro businesses were instead allowed the same contract terms as on the domestic market, where continuous rolling contracts are the most common, the issue of roll-over contracts for micro businesses could be easily eliminated.

Small businesses often agree their contract over the telephone and are unaware that this verbal contract is binding. There should be a bare minimum of a 14 day cooling off period after signing a contract for small businesses, to give them a chance to consider whether the contract is right for them.

The FSB agrees that there is a need to take further action to prevent unfair contracting practices and extend tariff simplification to the non-domestic sector, as suggested in proposal 4 in the consultation document.

## **Conclusion**

- Small businesses should receive the same protections as domestic users.



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- Eight in ten small businesses support the full abolition of automatic roll-over contracts. The FSB is therefore calling on Ofgem to change its position and abolish the current maximum of a 12 months roll-over period.
  - Considering all the issues small businesses have with their energy contract there is an urgent need to consider tariff-simplification on the non-domestic market, at the very least for micro businesses.
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### **For further information**

Clare Chapman

[clare.chapman@fsb.org.uk](mailto:clare.chapman@fsb.org.uk)

Federation of Small Businesses

2 Catherine Place, London SW1E 6HF