

Protecting businesses

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Ofgem is proposing new reforms of the non-domestic energy market so that businesses are better protected. We propose to introduce enforceable standards of conduct with financial penalties, an accreditation scheme for energy broker codes of conduct and steps to ensure suppliers do not unreasonably object to a business leaving them.

Ofgem's role

Our principal objective is to protect the interests of all future and existing energy customers. In March 2011 we identified that competition across the whole market was being stifled by a combination of poor supplier behaviour, a lack of transparency and a lack of protection for businesses.

In November 2011 we put forward our preferred model for addressing those concerns raised by businesses - in addition to our other retail reforms including simplifying consumer tariffs and breaking the stranglehold of the Big Six energy suppliers in the wholesale electricity market. More information on these can be found in the factsheet: "Retail markets: review and remedies."

Need for reform

The focus of our Retail Market Review in March this year was to assess the progress of our earlier reforms that were implemented as part of our 2008 Energy Supply Probe. This included looking at how well our protections for micro business customers (those employing fewer than 10 employees) were working and whether suppliers were following the voluntary Standards of Conduct in their dealings with business customers.

Our monitoring showed that some issues previously identified had not materially improved. So we have taken an in-depth

look at suppliers' activities and propose reforms in four key areas:

- Expand protections to larger small businesses (those with less than 50 employees)
- Actively considering enforcement action against suppliers who are not playing it straight with businesses who are trying to change supplier
- Action on third party intermediaries
- Stronger and broader Standards of Conduct to give consumers greater confidence

The non-domestic energy market

The non-domestic energy market is very different to the domestic market. There are many more suppliers, contracts are generally for fixed terms and many use brokers to help them navigate the market. Our consultation proposals are designed to help business customers get the best deal for them. In particular to provide them with better information at each of the three stages in their energy contract lifecycle: when they are looking for the best deal, entering into a contract and switching to it. We also intend to do more to help business customers understand their rights and how the energy market works.

Our proposals

Protections for smaller business customers

We have received support for our proposal to extend protections from micro businesses up to small businesses. We are consulting on a new 'small business' definition to extend to those with less than 50 employees and an annual turnover of no more than 10 million euros.

We also propose to review the rollover clause in our current licence condition. This follows concerns raised by consumer groups and others about small businesses potentially facing higher costs because currently suppliers are allowed to automatically extend – or rollover - contracts. Further work is needed on who the licence protects before we can do this.

Objections to supply transfer

A fundamental part of our energy market is the ability of a customer to switch supplier when they find a better deal. We have found that in the non-domestic market this doesn't work as well as it should. We will be publishing an open letter making it clear how we expect suppliers to act when a customer attempts a transfer. If suppliers breach our licence conditions they could be subject to investigation and enforcement action by us.

We also propose to require non-domestic suppliers to submit their data to us on their actions and will monitor this closely and may consider future licence changes – as well as possible investigations.

Third party intermediaries (TPIs) – new accreditation scheme

There have been recent moves to develop codes of practice and to extend existing codes which self-regulate the role of brokers in the business energy market. Our proposal for a new accreditation scheme will support these and make sure affiliation to these codes mean something to business customers. We also think there are key elements that should be in every code to help protect consumers – such as monitoring and complaints procedures for non-compliance. Our consultation document sets out what we think the codes of practice should include.

Additionally, as we currently don't have powers to regulate brokers (or TPIs) directly, we have asked government to give us more powers to enforce against misselling in the business market. We are also proposing a new licence condition to regulate how non-domestic business suppliers and their representatives interact with business customers.

Enhancing Standards of Conduct

Business suppliers currently have few supply licence rules. We want to have stronger and broader Standards of Conduct to improve suppliers' conduct and give consumers more confidence in their energy supplier. Our proposal is to make them binding by incorporating them into a licence condition for all suppliers.

Next steps

Our detailed proposals were published in November 2011 for consultation. We are seeking views on the proposals up to 15 February 2012. If accepted we would hope to start making changes from 2012. We would hope to introduce Ofgem accreditation for third party Codes of Practice as soon as possible.

For further information

Full details of our proposals are contained in the 'Retail Market Review – Non-Domestic Proposals' on the Ofgem website.

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