

Press Notice

Monday 21 November 2011

BUSINESSES TO GET BETTER PROTECTION UNDER NEW OFGEM PROPOSALS

- **New enforceable standards of conduct with financial penalties to improve supplier behaviour**
- **Stronger protections for small businesses**
- **Added protections for businesses using energy brokers**
- **Ofgem is actively considering enforcement action against suppliers who are not playing it straight with businesses who are trying to change supplier**

Ofgem has today announced far-reaching proposals designed to reform the energy market to help businesses. In March Ofgem's investigation found widespread confusion about suppliers' contract terms and conditions. Businesses were also concerned about potential misselling from energy brokers and misuse of supplier powers to block businesses from switching supplier.

Ofgem's Chief Executive Alistair Buchanan said: "During our investigation into the energy market, businesses told us about a range of problems they were having with energy suppliers and also some energy brokers.

"Ofgem is now proposing a series of reforms to ensure that business customers get a better deal from their energy supplier and greater protection for those using energy brokers. This will greatly increase the protection for businesses, especially for smaller firms. As we have demonstrated in the domestic market, we will also take a tough line on any suppliers we find systematically breaching rules designed to protect businesses."

There are four key elements of reform:

- Putting new standards of conduct into suppliers' licences so Ofgem has the powers to enforce them if they are breached. These aim to ensure that suppliers and the brokers that represent them are fair, honest and transparent in their dealings with businesses. Also, all sales and marketing to businesses will be required to be accurate, not misleading and written in plain English.
- Extending existing licence conditions which protect micro businesses* to benefit larger small businesses with less than 50 employees and an annual turnover of no more than €10 million. These prescriptive rules require suppliers to provide clear and transparent contract terms and conditions up front and regulate how contracts can be rolled over.
- Proposing a range of reforms to better protect businesses from unfair sales practices. In addition to the new standards of conduct, which cover marketing and all other dealings with business customers, these include an Ofgem accreditation scheme for Codes of Practice governing energy brokers; and asking government for new powers to take enforcement action directly against brokers for misleading marketing in the business sector. Ofgem currently has no direct powers to take enforcement action against energy brokers that only deal with business customers.

- Ofgem is currently reviewing whether suppliers are compliant with licence conditions which make sure suppliers cannot unjustly frustrate businesses switching to another energy provider. We are now actively considering enforcement action against some suppliers after our research in March found evidence of a high number of objections by companies that were preventing many businesses from switching.

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Notes to editors

1. A consultation document setting out all the non-domestic reforms in detail will be published later this week and will be available via our website. A factsheet "Protecting businesses" setting out our proposals in more detail is available from the Ofgem website:
http://www.ofgem.gov.uk/Media/FactSheets/Documents1/110_factsheet_Protecting_businesses.pdf
2. Today's announcement is the second of four waves of proposed reform:
 - The first reform was delivered in October when Ofgem announced its proposals for a simpler more competitive energy market for householders. More details on this announcement will follow in the next couple of weeks.
 - The third wave will be Ofgem's proposals on our liquidity measures designed to break the stranglehold of the Big Six in the wholesale electricity market – due next month.
 - Findings of an independent report on how energy company accounts can be more transparent are due in the New Year.
3. Our proposals for new standards of conduct will hold suppliers responsible for the activities of brokers which have a direct or indirect relationship with the supplier.
4. * Existing Micro business protections require suppliers to provide clear and transparent contract terms and conditions and informing them how they can prevent their contract being rolled over.
5. 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 functions are set out mainly in the Gas Act 1986, the Electricity Act 1989, the Competition Act 1998 and the Utilities Act 2000. In this note, the functions of the Authority under all the relevant Acts are, for simplicity, described as the functions of Ofgem.

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