

The Retail Market Review – Updated proposals for businesses

Consultation

Reference: 134/12
Publication date: 26 October 2012
Response deadline: 21 December 2012

Contact: Louise van Rensburg, Senior Economist
Team: Retail Markets and Research
Tel: 020 7901 7000
Email: rmr@ofgem.gov.uk

Overview:

The aim of the non-domestic Retail Market Review (RMR) programme is to ensure that businesses, particularly small businesses, are able to get the best deal from the market and don't have to spend unnecessary time managing their energy accounts.

This document sets out our updated RMR proposals for the non-domestic market, following our consultation in November 2011. Our proposals for the domestic sector are set out in a separate document.

Our proposals for the business sector seek to address those areas where we have concerns, while not interfering where the market is better serving the interests of business consumers.

These proposals represent an important development in the functioning of the retail market and it is important to allow stakeholders time to present their views. Our deadline for responses to this consultation is 21 December 2012.

Context

Ofgem’s principal objective is to protect the interests of both existing and future energy consumers. The Retail Market Review (RMR) aims to make the market better at serving the interests of consumers and enable individual consumers to get a better deal from energy companies.

The proposals for business consumers presented in this document cover four policy areas, as well as a number of interrelated issues. Proposals for the domestic market are published in a separate consultation document.

In conjunction with this consultation document we are publishing further draft impact assessments on the proposals and the draft legal text for new and amended licence conditions. We will also publish our latest consumer research undertaken to inform our findings.

The RMR has links with our Consumer Vulnerability Strategy, Smarter Markets Strategy and our work on liquidity.¹ We are working to ensure our RMR proposals work in a complementary manner to these initiatives.

Associated documents

All documents are available at www.ofgem.gov.uk

- The Retail Market Review – Updated domestic proposals, Reference 135/12.
- Research into the proposed Standards of Conduct: Non-Domestic Consumers, Insight Exchange, October 2012.
- Research Findings on the Experiences of Non-Domestic Customers, Opinion Leader, October 2012.
- Quantitative Research into Non-domestic Customer Engagement and Experience of the Energy Market, Accent, June 2012.
- The Retail Market Review: Domestic Proposals, December 2011, Reference: 116/11.
- The Retail Market Review: Draft Impact Assessments for Domestic Proposals, Supplementary Appendices, December 2011, Reference: 116a/11.
- The Retail Market Review – Non-domestic Proposals, Reference 157/11.

¹ An update on our liquidity project can be found at:
<http://www.ofgem.gov.uk/Markets/RetMkts/rmr/Documents1/July%202012%20liquidity%20open%20letter.pdf>



The Retail Market Review – Updated proposals for businesses

- The Retail Market Review – Draft Impact Assessments for Non-domestic Proposals, November 2011, Reference: 157a/11.
- Small and Medium Business Consumers’ Experience of the Energy Market and their Use of Energy, Harris Interactive, June 2011.
- The Retail Market Review – Findings and Initial Proposals, March 2011, Reference: 34/11.
- Energy Supply Probe - Proposed Retail Market Remedies, August 2009, Reference: 99/09.
- Energy Supply Probe - Initial Findings Report, October 2008, Reference: 140/08.

Contents

Executive Summary	6
A well functioning market is more important than ever	6
Our updated proposals	6
Way forward	8
1. Introduction	10
Background	10
Our proposals	11
Reactions to our November 2011 consultation	12
Building refined proposals	12
Next steps	14
2. Market Overview	17
Introduction	17
Overview of non-domestic market statistics	17
Market issues	21
Our objective	23
Success criteria	24
3. Standard Licence Condition 7A: Protections for small businesses	26
Introduction	26
Our proposals	27
Expansion of SLC 7A to a new small business definition	27
Mandate contract end dates on bills	29
Clarifying the termination and rollover conditions of SLC 7A	29
Our reasoning	29
The problem	29
Addressing the problem	30
4. Customer transfer blocking – ‘Objections’	35
Introduction	35
Our measures	36
Enforcement and regulatory action	36
Encourage industry resolutions	36
Our reasoning	38
The problem	38
Addressing the problem	40
5. Standards of Conduct for non-domestic consumers	41
Introduction	41
Proposed enforcement	44
Our reasoning	45
The problem	45
6. Third Party Intermediaries	49
Introduction	49
Our proposals	51
Single code of practice	51
Wider TPI review	51
The status of the two other proposals	52

Our reasoning	52
The problem	52
Addressing the problem	53
Appendices	56
Appendix 1 – Consultation Response and Questions	57
Appendix 2 – Summary of key concerns raised by stakeholders and how we have addressed them	60
Appendix 3 – Overview of non-domestic consumer research	62
Appendix 4 – Draft licence conditions	66
Appendix 5 – Glossary	76
Appendix 6 – Feedback Questionnaire	83

Supplementary appendix:

The Retail Market Review – Draft Impact Assessment for the updated proposals for businesses

Executive Summary

A well functioning market is more important than ever

It is important that the energy market works in the interests of businesses, as well as households. Ensuring that businesses pay no more for their energy than they need to, and don't spend unnecessary time managing their energy accounts, is a key factor in our economy's competitiveness and its ability to grow and create employment. Improving the way the energy market works for businesses is more important than ever given the upward pressure on wholesale energy costs arising from global market trends and the need in GB to replace ageing plant and invest in renewable generation.

In general, businesses are more engaged in the energy market than households. Businesses are often on fixed term contracts which make them more likely to make an active choice about their energy supplier on a periodic basis. There are more suppliers competing for their business and a number of brokers and other intermediaries giving advice on energy deals. Awareness of alternatives and the ability to assess options is generally better than in the domestic market.

But we have identified a number of factors that limit the ability of smaller businesses in particular, to get the best deal from the market. Contract terms, and especially the arrangements for ending the contract, are often unclear and this can prevent businesses from taking advantage of better offers. Bills are sometimes inaccurate and difficult to follow and this makes it harder for businesses to understand how much they are paying for energy and assess alternatives. And the switching process can be unnecessarily complex and long, significantly impacting time and resource constrained firms.

Third party intermediaries can help business customers navigate the market, but rogue brokers can mislead and cause harm. Measures to help business customers need to address the behaviour of brokers and advisors as well as the actions of energy suppliers.

Our updated proposals

We are now consulting on an updated set of proposals that builds on those we consulted on in November last year. These take into account the feedback and discussions we have had on those proposals as well as the findings from our further research and developments in the market this year. We have looked to strike a balance between helping businesses – especially small businesses – effectively manage their energy costs while ensuring our interventions do not impose unnecessary costs or deter suppliers from competing in this market.

Protecting small businesses

We propose to help small businesses by:

- extending protections currently given only to micro businesses, to small businesses.² These require suppliers to ensure that their contracts and terms are clear and that customers are given information on what to do at the end of the contract, and by when. Our new definition covers all businesses who pay up to roughly a £10,000 a year on either electricity or gas, and, we estimate, will extend protections to more than 150,000 businesses;
- requiring that suppliers provide the contract end date on the bills of small businesses and the date by which they need to send in a termination notice; and
- putting in place binding standards of conduct for suppliers to adhere to when billing, contracting and switching small businesses.

The new protections will allow suppliers to renew contracts for small businesses for a maximum of 12 months, unless the business elects otherwise. Once our proposals on the definition of small businesses have been agreed, we will be able to properly assess the costs and benefits to small business customers of the practice of auto rollovers. We can then look at whether or not it is in small business customers' interests to allow this practice.

In general, large businesses said they did not consider they needed further protection of the nature set out above. But some pointed to areas that could be improved – such as billing accuracy and high out-of-contract rates. We encourage suppliers to consider where improvements could be made and to consider developing customer charters and other ways of allowing large business customers to hold them to account.

Third party intermediaries

We propose to take the lead in developing options for a single code of conduct for third party intermediaries (TPIs). During this consultation we will work with stakeholders to consider the content and scope of this code, while we give further consideration to the legal framework it could sit in. In our previous consultation, we proposed to accredit codes that other organisations had set up. This suggestion got some support, but most respondents set out reasons and preferences for a single code. These views and our subsequent assessment suggest that this option may offer improved clarity and security to customers.

² Business consumers are protected by SLC 7A if they meet the following definition: electricity consumption \leq 100,000 kWh per year, or gas consumption \leq 293,000 kWh per year, or they employ less than 10 employees and their turnover or balance sheet is no greater than €2 million.

We will also launch a wider review to deliver a regulatory framework for third party intermediaries (including those that operate in the domestic market) that is fit for purpose in light of market developments and that supports consumer engagement and protection. In the meantime, we are progressing our case to seek powers to use certain parts of the Business Protections from Misleading Marketing Regulations³ so that we will have the ability to take action against mis-selling to business customers. This work is on-going and we will update stakeholders on developments in this area in due course.

Transfers

One area we have focussed on is customer transfers, and where problems are also reported by larger businesses. The ability of consumers to switch with the minimum of problems is vital for the effective working of the market. We are taking a strong stance on this. We have opened an investigation into whether one supplier is complying with their licence requirements, and will continue to monitor this area closely across all suppliers. We welcome improvements in some supplier activities since we published our previous consultation, including a drop in objections to transfers and clearer information being given to customers when the supplier objects to a transfer. However, we urge suppliers to improve industry processes so transfers work better, particularly when dealing with change of tenancies, so that customers experience less delay when choosing and moving to better deals.

Way forward

We will convene an industry working group before the end of this year to discuss the options for a single code of conduct for third party intermediaries. Intermediaries, suppliers, and consumer groups should contact us if they are interested in joining this.⁴ We aim to publish an issues paper on the wider TPI review for consultation in the first half of 2013.

We aim for our proposals to protect small businesses to come into legal effect in the supply licence from summer 2013, subject to responses to this document and the outcome of an envisaged statutory consultation in spring 2013. We propose to require suppliers to introduce some of these measures on “day one”, with time given for them to make the back office system changes necessary for other measures. Our proposal is that all measures should be in place by winter 2013.

Following introduction, we will monitor the impact our changes have made and whether small businesses feel they are finding it easier to effectively manage their energy costs. If our reforms come into effect in the summer next year, and assuming there is no clear reason to delay, we will review this sector of the market in full no later than 2017. We believe, though, that we are unlikely to achieve the full benefits of our proposals unless there is also improvements in trust and confidence in TPIs.

³ Statutory Instrument 2008/1276.

⁴ We will publish relevant materials on our website to update stakeholders unable to participate in the working group.



The Retail Market Review – Updated proposals for businesses

We are consulting on the proposals in this document until 21 December 2012 and would sincerely welcome your input.

1. Introduction

Chapter Summary

This chapter introduces the reasons for our proposals, and sets out what appears in this document and signposts related but separate documents.

Question 1: Do you agree with the envisaged implementation timetable set out in this chapter? If not, what factors do we need to take into account in setting this timetable?

Background

1.1. Since 2008, when Ofgem launched the Energy Supply Probe⁵, we have been concerned that the market does not work as well as it could to meet the interests of businesses, and in particular smaller businesses. As a result of the findings in the Probe we introduced licence requirements to increase the amount and timeliness of information that suppliers give to micro businesses about their contract terms and conditions. We also restricted suppliers' ability to automatically roll a micro business customer onto another fixed-term contract unless certain requirements were met. This also prevented the rolled over time period from being longer than 12 months. We put in place voluntary standards of conduct for suppliers when they engaged with smaller businesses to drive further improvements in their performance. In addition, we encouraged third party intermediaries (TPIs), or energy brokers, to develop voluntary Codes of Practice to build consumer confidence when using TPIs.

1.2. At the end of 2010 we launched another review to see how well our Probe proposals had worked. In March 2011 we published our findings and in November 2011 consulted on initial proposals for the business market.⁶

1.3. We have found that, as a group, business consumers engage more in the energy market than household customers do and there is more new entrant competition in supply. But business consumers are not homogenous: they range from small businesses, often with energy consumption levels similar to domestic consumers, up to large, well resourced businesses who employ specialist energy buyers. So while the market for business customers is more competitive than the

⁵ Ofgem, 2008, Energy Supply Markets Probe, ref 30/08.

⁶ In this consultation document and associated documentation we use the terms "market" and "markets" as shorthand for referring to different segments of the energy sector. For the avoidance of doubt these terms are not intended to describe or otherwise suggest the approach that may be taken by Ofgem for the purposes of market definition in competition law investigations

domestic energy market, businesses - particularly smaller businesses - face a number of specific problems that hinder their ability to engage effectively.

1.4. In particular, business consumers may miss out on opportunities to take advantage of better deals if they:

- are not clear about the terms and conditions of their contract and particularly the arrangements for ending their contract;
- face problems and/or delays when transferring to a new supplier. This could also mean the business customer has to pay higher deemed or out of contract prices while the issues get resolved;
- do not understand their bills or need to correct problems with them; and
- receive misleading information or are treated poorly by a third party intermediary (TPI). This could result in, for example, a business finding themselves contracted to a new supplier with higher rates than expected.

Our proposals

1.5. The proposals and measures in this document are aimed at addressing the specific difficulties we have found in the business sector.

- **Small business protection** We propose to increase the number of businesses who are required to get clear contractual information. We also propose to require that these small businesses have the end date of their contract written on every bill and statement they are sent. We are also proposing to require suppliers to allow businesses to terminate their contracts at any time, up to the final day of notice.⁷ These proposals entail changes to standard licence condition 7A (see Chapter 3).
- **Customer transfers** We welcome the improvements seen in some areas but set out our continued focus on the actions of suppliers when businesses want to transfer to another supplier. We have opened an investigation into one company's compliance with the licence condition that covers the objections process. We have improved our monitoring of objections to transfer, and are calling for industry to take the lead in improving practices in certain circumstances, including when there has been a change of tenancy (Chapter 4).

⁷ This final date of notice day varies across suppliers and contract, but is usually between 30 and 90 days before the end date of the contract.

- **Standards of conduct** We propose to implement binding standards of conduct when suppliers are dealing with small business when contracting, billing and transferring supply (Chapter 5).
- **Third party intermediaries** We propose to create a common Code of Practice for TPIs for business customers. We are also launching a wider review of the regulatory framework for TPIs, across domestic and non-domestic sectors (Chapter 6).

Reactions to our November 2011 consultation

1.6. We received a total of 381 responses to our November 2011 consultation.⁸ Respondents generally agreed with our broad areas of intervention, but they did not always agree with our specific proposals and in some cases suggested new ways that would help.

1.7. Appendix 2 summarises key concerns raised on each of our November 2011 proposals, and what we have done to address them. In particular, respondents:

- Disagreed on our definition for small business, and had a range of conflicting views on where the threshold of additional protections should lie.
- Had mixed reactions to our proposals to introduce binding standards of conduct for business customers. Consumer groups generally supported them, while suppliers felt they were not appropriate in this sector of the market, as it is competitive, particularly at the larger end. They argued that customer switching already constrains poor behaviours.
- Expressed concerns that multiple Codes for TPIs would lead to a 'race to the bottom'. A single code held by an independent party had greater support, particularly if it was compulsory for all TPIs and there was good monitoring and enforcement of the Code.

Building refined proposals

1.8. Since we consulted, we have been working to address the concerns of respondents and fine-tune our proposals.

1.9. We commissioned three new research studies (two qualitative and one quantitative) to expand our evidence base of business customers' views and

⁸ We note that 323 were from individual consumers.

experiences. Appendix 3 to this document sets out the research methodologies with an overview of the findings.⁹

1.10. We also analysed a range of contact and complaints sources. These included data from the Ombudsman, Consumer Direct/OFT, and our own contacts data.

1.11. We issued a formal information request to all 32 non-domestic suppliers to better understand the specifics of how they segment business customers, the offers they have across the market, and how (or if) these offers and their services differ across customer segments. Because of the diversity in business consumers, suppliers in this market often segment their business and provide different offers and services to different categories of businesses, or only supply to particular customer segments.

1.12. We set out in Chapter 2 some statistics of this sector of the market¹⁰ and our findings on the amount, nature and extent of issues.

1.13. We have also noted the actions of suppliers following the November publication. Activities that have particular relevance to our proposals include:

- A number of suppliers have improved the quality of information they give customers when they object to a request for transfer, in line with best practice suggestions that we set out in our November 2011 consultation.
- We have also noted supplier interest in making changes to industry processes to improve transfers, as well as a decline in the number of objections to transfers being made.
- Two suppliers have told us that they are considering inserting on their small business customer bills the date that a fixed term contract comes to an end, following a number of requests for this to happen from respondents to our consultation.
- We have also seen the development of another Code of Practice for TPIs, initiated by a supplier.

1.14. In developing our revised proposals we have taken into account respondent's views, discussions with stakeholders, our findings on the structure of the market, complaints analysis, and the findings from our three new research studies with business customers. We have also taken into consideration the above supplier developments.

⁹ These studies will be published on the Ofgem website.

¹⁰ This chapter provides updated data on some market indicators and is not a full market review.

1.15. We have asked some specific questions in each of the chapters which follow and would welcome your views and comments. Where relevant, we also have draft licence conditions in Appendix 4, for your comment.

1.16. Our draft Impact Assessment is published as a supplementary appendix to this document. This contains more details on the alternative proposals we considered and why we consider our proposals would produce the best outcome for consumers. We are particularly seeking additional information on the costs (in £'s) and savings our proposals would generate to inform our final decisions.

1.17. We will also publish, as separate documents, the three pieces of research we mention above.

Next steps

1.18. We are consulting on the proposals in this document until 21 December 2012. During this period, we will meet with interested stakeholders and will consider carefully the responses to the consultation.

Implementation time scales

1.19. For the proposals that will require a change to the supply licence, subject to issues raised in response to our consultation document, we envisage moving to final proposals and statutory licence consultation in spring 2013. We envisage taking a final decision regarding implementation of the package in late spring and therefore, if a decision is taken to proceed, implementation could take place from summer 2013 (allowing for the requisite 56 day period before implementation).

1.20. Given the above, we anticipate our RMR proposals could be implemented from summer 2013, on a phased basis, with certain elements of the package needing more time than others for associated systems changes and communication with customers to take place. We are seeking views on the potential implementation lead times for our package of proposals, and would welcome views from respondents to this consultation.

1.21. We are proposing the following implementation lead times:

- We propose that the new licence conditions for our Standards of Conduct (SOC) come into effect the day after the 56 day implementation period has elapsed (**'Day 1'**). We expect that over time the proposed SOC should result in very significant changes in culture and practice within supply businesses. It follows that what is reasonable for a supplier to have accomplished in transforming its processes and systems to meet the fairness principle will change over time. We will take this into account in dealing with any licence breach allegations.

- Our proposals relating to the protection afforded to businesses by licence condition 7A will require suppliers to make changes to systems and undertake other back office preparatory work before they can be implemented. There will also need to be a period of time for transitional arrangements with customer communications and to change contractual terms for new fixed term contracts.¹¹ We expect suppliers to do all they can to ensure consumers are given clear information about any changes in the terms and conditions of their tariffs as part of this process. We are proposing that the various changes set out in Chapter 3 on SLC 7A come into effect as follows:
 - End date of contract and notice period to appear on bills of all small business customers on **Day 1 + 4 months**. This is to allow for back office changes to be made.
 - Expanding the requirements of SLC7A to small businesses is to take effect for **new contracts on Day 1 + 4 months**. For contracts entered into before Day 1, we propose that the requirements of SLC 7A will come into effect **130 days before the first rollover** of an existing contract. This is to allow for the required notices to be sent before rollover.
 - We propose that amendments to the termination rule, that require suppliers to accept termination notices at any time up to the last day of notice comes into effect on **Day 1 + 4 months for new contracts** and for existing contracts to come into effect **on and from the date the first rollover takes effect**. This is to take account of any potential costing implications for contracts this rule may impact on.

Stakeholder events during the consultation period

1.22. We will hold a roundtable event with suppliers to small business customers before the end of this year, giving the opportunity to discuss our proposals on standards of conduct in more detail. We also intend holding joint supplier-small business consumer events to allow suppliers to hear first hand from consumers what they would expect them to address in complying with the standards.

TPI proposals and next steps

1.23. We will host the first TPI Code of Practice working group before the end of this year. A number of TPIs have expressed interest in attending this type of event previously, and we would like to hear from all interested parties as part of this consultation if they are interested in attending. We will set up a working group that

¹¹ For example where contracts previously allowed for the automatic rollover of the contract term to greater than 2 years, or where the contracts are not written in plain English.

balances the views of suppliers, TPIs and business consumers and that covers the different elements of small/large business TPIs, online sites, members of existing codes and those that are not affiliated. All relevant documents will be published on Ofgem’s website.

1.24. Please email rmr@ofgem.gov.uk if you are interested in attending.

2. Market Overview

Chapter Summary

This chapter provides a brief overview of key market indicators for the non-domestic energy market. It shows that the non-domestic market is more competitive than the domestic market and consumers are more engaged. However, there are specific problems that our proposals seek to address.

Question 2: Do you have any comments on our success criteria and the outcomes we expect to see?

Introduction

2.1. This chapter provides a high level overview of the features of the non-domestic market and the issues which small business consumers in particular face when they look to engage in the market. We consider that this information supports our proposals for targeted measures to make it easier for small businesses to get a good deal from the market. We also set out what we are hoping to achieve through our proposals and how we will measure success. This is not intended to illustrate all market indicators, nor to be a full market review, but to give a flavour of the characteristics of the market, particularly when compared to the domestic market.

Overview of non-domestic market statistics

Market share and concentration

2.2. There are a larger number of suppliers in the non-domestic market than in the domestic market, with a total of 32 suppliers, against 13 suppliers to domestic consumers. These suppliers vary in size, with some relatively small companies as well as large multinational firms.

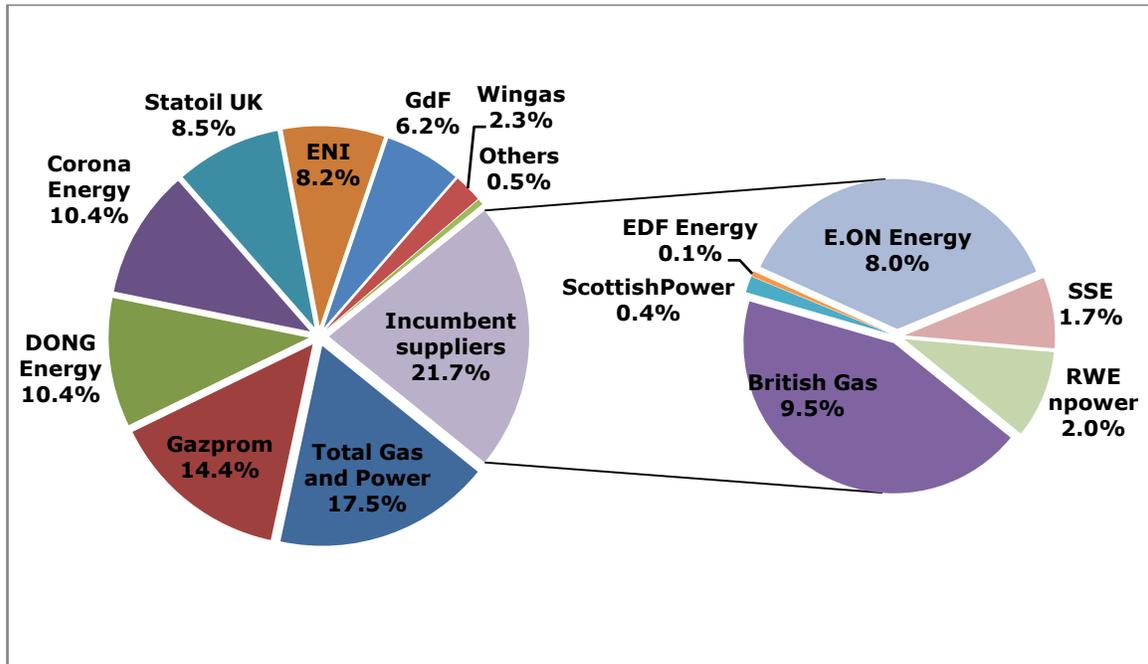
2.3. Nonetheless, the previous incumbent suppliers continue to dominate the smaller end of the business market. They supply 93% of non-half hourly (nHH) electricity sites and 70% of gas non-daily metered (nDM) sites¹², compared to a share of 99% of all domestic customer accounts.

2.4. The six incumbents' market share for larger business consumers is much lower in gas. They supply only 22 per cent of the gas volume for the total non-

¹² Datamonitor.

domestic market, as shown in Figure 2.1 below. For the very largest daily metered (DM)¹³ consumers, the six incumbent suppliers hold less than 8 per cent of the market by volume. In contrast, four independent suppliers hold 69 per cent of the DM gas market by volume.

Figure 2.1: Market shares for non-domestic gas, by volume, May 2012



Source: Datamonitor

2.5. In electricity, the incumbent suppliers still hold a high proportion of the market for large business consumers, accounting for 78 per cent of the half hourly (HH) volume in electricity.¹⁴

2.6. However, there has been recent growth in the electricity market share held by non incumbent suppliers. Between April 2011 and March 2012, ten independent suppliers increased their market share of smaller businesses (nHH meters) from 6 per cent to 7.5 per cent. There has also been a significant increase in meters held by non-incumbents for the HH metered segment. Over this period, six independent suppliers increased their market share from 7 per cent to 11 per cent.¹⁵

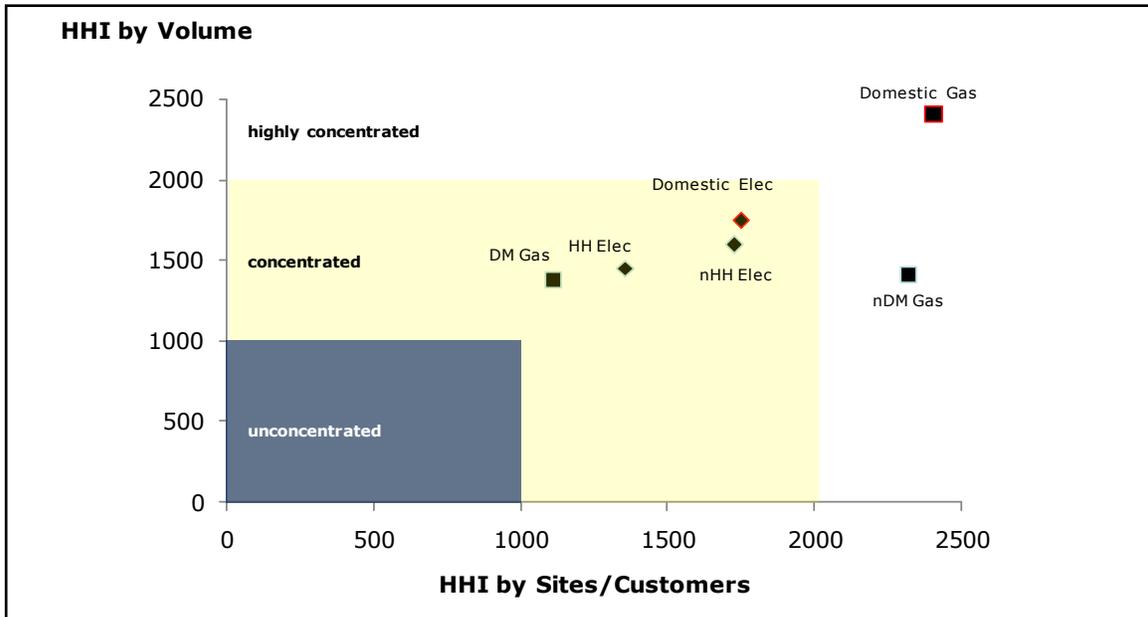
¹³ The consumption threshold for a daily read gas meter is annual consumption of more than 58,600,000 kWh. Datamonitor estimate there are 1550 daily metered gas sites.

¹⁴ Datamonitor.

¹⁵ Source: Electricity distribution companies.

2.7. Figure 2.2 shows that for both volumes and sites, the gas and electricity markets for larger customers are both relatively unconcentrated (based on the Herfindahl-Hirschman index¹⁶). Although the markets for smaller business consumers are less concentrated than domestic comparators, they are still classified as demonstrating a degree of market concentration.

Figure 2.2: Market concentration for the domestic and non-domestic market, May 2012



Source: Datamonitor, Ofgem analysis

Switching

2.8. Switching levels tend to be seasonal in the non-domestic market, with peaks around March and September each year. An analysis of data from electricity distribution companies indicates that the annualised figure for new confirmations¹⁷ was 22 per cent between April 2011 and March 2012 in the smaller end (nHH) of the business sector.¹⁸ In the domestic sector, the comparable figure is 14 per cent per

¹⁶ The Hirschmann-Herfindahl Index (HHI) is a measure of concentration ranging from 0 to 10,000, calculated as the sum of the square of company market shares. In its merger assessment guidelines, the OFT considers an HHI below 1,000 represents a market that is unconcentrated, between 1,000 and 2,000 as concentrated and above 2,000 as highly concentrated. Domestic figures are the same for both sites/customer and volume as we do not have data on volume by supplier in the domestic market.

¹⁷ Transfers are based on specific meter points in industry data, not customers. The figures above looked at the meters that have changed supplier.

¹⁸ Datamonitor estimate the switching rate in 2011 for major energy users (spending more than £50,000 per year on energy) at 24 per cent for both electricity and gas.

year.¹⁹ As the majority of business consumers are on fixed term contracts, often for more than a year, the difference in engagement levels suggested by these switching rates may be even greater.

2.9. Our research evidence highlights however, that small businesses are less engaged in the market than larger firms and are more likely to have never considered switching. For example, 31 per cent of small and 31 per cent and micro businesses surveyed said they had never considered switching their electricity supplier, compared to 15 per cent of large businesses.²⁰

Prices

2.10. Quarterly data from DECC²¹ indicates there is wide variation in the prices paid by businesses (see Figure 2.3). The average pence per kWh for businesses with low electricity consumption²² is closer to those in the domestic sector and much higher than those faced by the very largest users, which tend to follow movements in the wholesale market more closely.

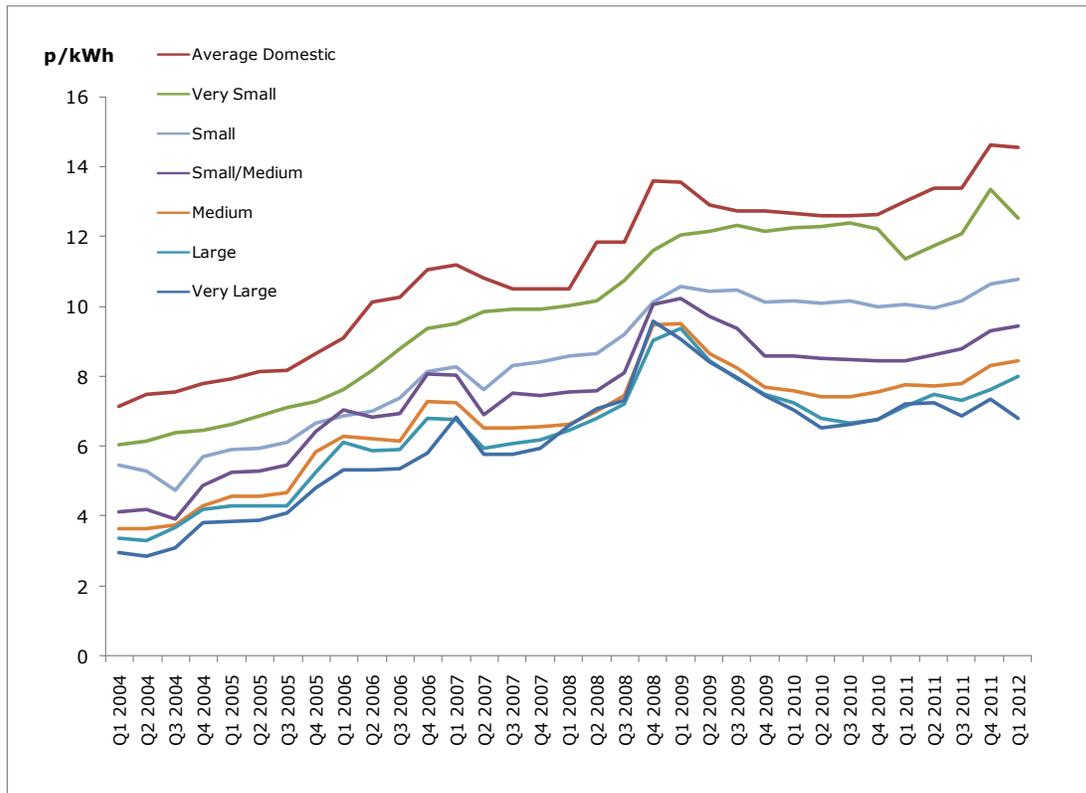
¹⁹ Electricity distribution companies, March 2012.

²⁰ Accent, Quantitative Research into Non-domestic Customer Engagement and Experience of the Energy Market, June 2012.

²¹ http://www.decc.gov.uk/en/content/cms/statistics/energy_stats/prices/prices.aspx

²² Defined as consuming 0-20 MWh per year.

Figure 2.3: Average non-domestic and domestic electricity price (pence per kWh) by consumption category, from Q1 2004 to Q1 2012



Source: DECC, Ofgem analysis

2.11. The information above supports the view that while the market for business customers is more competitive overall than the domestic sector, the features of competition for small businesses share some similarities with the domestic market (some market concentration) and have features (engagement levels) which are distinct from those seen in the market for larger business customers.

Market issues

2.12. We have looked to assess whether there is evidence that problems businesses face with their energy supplier are being addressed through competition, particularly given that since the Probe there have been voluntary standards of conduct in place applicable to small businesses.

2.13. We reviewed the additional research we commissioned, together with a range of complaints data. We do not have a picture of widespread problems. Our recent quantitative research reports most business consumers of all sizes are reasonably

satisfied with their energy suppliers.²³ Nonetheless, there is still a significant minority of businesses, especially smaller businesses, reporting dissatisfaction in specific areas. Across our research and contacts data, we have found recurring problems being reported around three areas in particular: billing, contracts and transfers, with poor information in these areas a common problem. These three areas form the majority of business contacts (more than two thirds) to Consumer Direct/OFT in the first quarter of 2012. Other areas focus on marketing (namely misrepresentation), debt and disconnections, and metering.

2.14. Billing accounts for one of the highest categories of contacts in both Consumer Direct/OFT²⁴ and Ombudsman²⁵ cases, specifically billing accuracy and back billing. Billing problems were also a notable in both our qualitative and quantitative²⁶ research. Where businesses were dissatisfied with the clarity of their bills, about half were unclear about how it was calculated. In instances where the supplier was proved to be wrong, our qualitative research²⁷ suggests they can be slow to correct problems. We note that back billing is currently being partially addressed through voluntary measures, that include how suppliers should approach customers when there is a problem identified, for example considering repayment schedules that take account of the time over which the debt accrued.²⁸

2.15. Transfers were one of the highest areas of contact in Consumer Direct/OFT data, representing a quarter of all business consumer contacts. Our quantitative research showed that smaller businesses were more dissatisfied with switching than large businesses: 16 per cent of smaller businesses who had switched or considered switching their electricity supplier said they were dissatisfied with the experience, compared to 7 per cent of large businesses.

²³ Overall business consumer satisfaction scores with suppliers are 3.71 for electricity and for gas 3.82. Respondents were asked to rate satisfaction on a scale of 1 to 5 (1 being very dissatisfied and 5 very satisfied). Accent, 2012.

²⁴ Billing is the most common form of problem in our assessment of Consumer Direct/OFT contacts data. In the first quarter of 2012, approximately 25% of all contacts were for billing related issues.

²⁵ Ombudsman cases usually concern billing (over 80% of all cases in 2010 and 2011).

²⁶ A quarter (25%) of businesses found what they perceived to be errors in the bills received from their electricity suppliers and a fifth (20%) found gas billing errors. Overall a sixth (16%) of electricity respondents and just over a fifth (21%) of gas respondents were dissatisfied with the clarity of information in their bills. About half of energy consumers who are dissatisfied with clarity of information in bills state that it is unclear how the bill is calculated. Other issues raised are that the language is too complicated, it is difficult to find key information quickly and billing is confusing in general (Accent, 2012).

²⁷ Opinion Leader, Research Findings on the Experiences of Non-domestic Customers, August 2012.

²⁸ We asked Energy UK and ICOSS, in conjunction with consumer groups to address this issue. A voluntary set of standards have been developed to improve supplier behaviours and to time limit back-bills for micro business customers. The standards can be accessed at <http://www.energy-uk.org.uk/policy/microbusiness-.html>.

2.16. Whilst our findings suggest that it is a subset (a significant minority) of consumers that are experiencing problems, our qualitative research has indicated that for individual businesses, problems with an energy contract can be material: whether it's the extended time they have had to take to resolve problems, or the negative impact on cash-flow or overheads of the business – particularly an issue in a tight economic environment. The materiality of the problems appears greater for smaller businesses. Our investigation into supplier offerings for consumers showed that smaller business consumers are less likely to have a direct and regular relationship with their supplier representative. And the market indicators suggest there may be less competitive pressures to improve service to smaller business consumers.

Our objective

2.17. The objective for the non-domestic RMR is not the same as for the domestic market. As the indicators above have shown, there is more new entrant competition, higher switching levels and generally more consumer engagement.

2.18. The OFT²⁹ has noted three requirements for consumer engagement, which include characteristics beyond just consumers following through with a switch of supplier. According to this framework, engagement requires consumers to be able and have an incentive to:

- **Access** relevant market information
- **Assess** the offers available to choose what is best
- **Act** on their assessment of the information

2.19. Larger businesses have the least problems with engagement. They tend to have an employee responsible for dealing with their energy contract, and/or use TPIS to tender contracts when they come up for renewal. Suppliers will often have dedicated account managers to deal with their largest customers. Our research has indicated that large consumers generally had better relationships with their energy suppliers than smaller businesses.³⁰

2.20. Our separate domestic RMR consultation sets out a number of concerns with the ability of households to engage in the market, including low levels of trust and confidence in the market. There is not the same evidence of an overwhelming lack of confidence amongst business consumers. Our latest evidence suggests that levels of engagement by smaller business consumers is better than domestic consumers, but the ability to engage is not as good as larger businesses. We have evidence that

²⁹ OFT 2010, What does behavioural economics mean for competition policy?, p.15-16

³⁰ Insight Exchange, Research into the proposed Standards of Conduct: Non-Domestic Consumers, September 2012.

businesses, and particularly smaller businesses, face a number of specific problems in engaging effectively.

- There are a number of TPIs offering help with navigating the market. But we have reports of rogue TPIs whose actions mislead businesses onto worse deals and this poor practice can deter consumers from engaging in the future.
- If billing information is unclear then consumers may find it difficult to make good assessments of alternative offers.
- Their ability to act can be hindered by their understanding of termination and renewal procedures and problems with switching supplier.

2.21. Therefore, our objective with the non-domestic RMR is to address these specific barriers to effective engagement.

Success criteria

2.22. This section sets out how we expect our proposals will help achieve our aims. In general, our proposals aim to improve information given to businesses, in particular small businesses, where issues have been identified through analysis of contacts data, consumer research and supplier data. Our package of measures will therefore be successful if we see a reduction in the unnecessary problems some business consumers face when engaging at particular points.

2.23. More specifically, we hope to see a trend over time of fewer contacts involving unclear contract terms, contract termination and switching problems. Our review of consumer contacts from various external and internal sources, including consumer organisations and the Ombudsman has been very useful in identifying key issues. We are working to put in place more effective and regular review of these complaint sources, including working closely with our Consumer Affairs team to assist the enhancement of Ofgem's internal contacts database.

2.24. We also expect to see fewer objections to supply transfer, as a percentage of total attempted transfers. We will be monitoring the objections processes of suppliers. We intend to improve this monitoring by collecting data on a regular basis from all suppliers (via electricity distribution companies and Xoserve) on the number of objections made and received by suppliers.

2.25. We will also be commissioning ongoing research with business consumers, to get their views on the market. We expect over time to see a lower percentage of dissatisfied consumers and less issues relating to poor information.

2.26. Our research and contacts analysis has also highlighted billing practices are of concern. In part, the voluntary micro business back billing code most non-domestic

suppliers have signed up to is expected to help reduce some of the problems linked to back billing, and we have noted that some suppliers have gone further than the commitments. We will continue to monitor its effectiveness.³¹ However, we note the potential for cases where a consumer gets a smart meter and the meter replacement identifies an issue with the previous meter. This could lead to an initial increase in complaints from 'smart' consumers and will test the effectiveness of the code. In the longer term, though, we would expect a reduction in back billing complaints as more consumers receive accurate billing and consumption information from their smart and advanced meters. We also expect that other complaints related to billing – including clarity – should reduce if binding Standards of Conduct are in place, as suppliers seek to understand and deliver what their customers want.

2.27. The above success criteria are linked specifically to our supplier proposals. However, while we believe they will have significant benefits to business consumers in their own right, we do not believe that we will be able to meet our objective in full unless we also tackle the issues around TPI behaviour in the market. We would specifically like to see TPIs who undertake fraudulent or misleading activities being held to account; with a consequential reduction in these activities in complaints information and a rise in consumer trust in using TPIs. We believe this trust will also be fostered if there is increased transparency to businesses consumers about their services, including costs and the range of suppliers they are comparing when suggesting energy deals.

³¹ Each signatory supplier has committed to demonstrating (for example in the form of a report) how they are adhering to the commitments. This will be formally reviewed by signatories and other relevant stakeholders by Oct 2013 – this review will take into account relevant data from the Ombudsman as well as representations from relevant stakeholders.

3. Standard Licence Condition 7A: Protections for small businesses

Chapter Summary

This chapter sets out proposals to improve the information provided to small businesses before, during, and at the end of their energy contract. It outlines our updated proposals to expand the protections of SLC 7A, which currently only apply to micro businesses, to small businesses and proposes a new mandate to include the contract end dates on bills. We also propose a change to allow termination notices to be given from the start of a contract.

Question 3: Do stakeholders agree with our proposal for a revised definition for the expansion of SLC 7A?

Question 4: Do stakeholders foresee any significant costs or difficulties to our revised definition?

Question 5: Do stakeholders agree with our proposal to mandate contract end dates on bills for consumers covered by SLC 7A? Are there significant cost implications?

Question 6: Do stakeholders agree the last termination date should be included alongside the end date on bills? Are there any significant cost implications?

Question 7: Do stakeholders agree with our proposal to require suppliers to allow small business customers to give notice to terminate their contract (as from the end of the fixed term period) from the beginning of their contract? What are the implications of this proposal, including cost implications?

Question 8: Do stakeholders consider that it would be to the benefit of customers to allow suppliers to terminate small business contracts, signed under the terms of SLC7A, in specific circumstances where a customer's energy usage significantly increased?

Question 9: Do stakeholders have views on the proposed amendments to SLC 7A set out in Appendix 4?

Introduction

3.1. This chapter focuses on proposals concerning protections for smaller business under standard licence condition 7A (SLC 7A). In this section we outline our proposals to increase the number of business consumers protected by SLC 7A and to widen the scope of the licence protection so as to:

- Provide clear signposting of contract end and termination dates on bills; and
- Address confusion between termination and rollover notice periods for fixed term contracts.

3.2. SLC 7A currently provides the following protection to micro businesses³²;

- Before entering a contract a supplier must explain key terms and conditions to the customer, making it clear the contract is binding.
- Within ten days of a contract being agreed, the customer should receive written copies in plain and intelligible language.
- The customer can notify the supplier at any time up to and including the relevant date that they do not want to automatically rollover their contract. The relevant date is a date at least 30 days, but no more than 90 days, before the end of a fixed term contract.
- Approximately 60 days (but up to 120) before the end of a fixed term contract, suppliers must send the customer a statement of renewal terms.
- If the customer does not contact the supplier, the contract can be automatically rolled over onto another fixed term contract for a maximum of 12 months only.

Our proposals

Expansion of SLC 7A to a new small business definition

3.3. We are proposing to extend the scope of SLC 7A beyond micro businesses.³³ Our proposal involves increasing the consumption thresholds for businesses covered by the condition, whilst ensuring that all consumers captured by the previous micro business definition are still covered. Draft licence condition changes are set out in Appendix 4.

3.4. We propose that business consumers are protected by SLC 7A if they exhibit the following characteristics:

³² Please refer to condition 7A in the standard gas and electricity supply licences for the full requirements of this condition.

³³ A micro business is defined in Article 2(1) of The Gas and Electricity Regulated Providers (Redress Scheme) Order 2008 as including businesses with fewer than ten employees (or FTE equivalent) and which have an annual turnover or annual balance sheet not exceeding 2 million euros; or which use less than 200,000 kWh of gas per year or 55,000 kWh of electricity per year.

- Electricity consumption \leq 100,000 kWh per year, or
- Gas consumption \leq 293,000 kWh per year, or
- They employ less than 10 employees and their turnover or balance sheet is no greater than €2 million.

3.5. The changes from the current micro business definition are shown in the table below:

	Micro business	New small business
Electricity	\leq 55,000 kWh per year	\leq100,000 kWh per year
Gas	\leq 200,000 kWh per year	\leq293,000 kWh per year
Employees and Turnover	< 10 employees <u>and</u> \leq €2m turnover	Unchanged

3.6. This definition would cover over 91 per cent of all non-domestic electricity meters³⁴ and include business consumers with an annual spend of up to approximately £10,000 per fuel.³⁵ The current micro business consumption limits were related to an annual bill of approximately £5,000, and covered around 84 per cent of non-domestic electricity meters.

3.7. We also considered other options, such as including all business consumers with non-half hourly electricity metering. However, we had concerns that such a definition may include some very large business consumers with multiple sites. In the longer term, all businesses will have half hourly capable meters as a result of the roll-out of smart and advanced meters and therefore this option may not cover the smaller businesses we intend it to. The pros and cons of these alternatives are considered in detail in our draft Impact Assessment.

³⁴ Source: Elexon. This is based on consumption data for electricity meter points.

³⁵ Based on quarterly non-domestic price data from DECC. See Table 2.1 of Impact Assessment.

Mandate contract end dates on bills

3.8. We propose that contract end dates on bills are printed on all small business consumer bills and/or statement of account, together with the date by which a customer has to notify the supplier of their intention to leave. This will be mandated through a new clause in SLC 7A and would apply to consumers on fixed term contracts covered by our extension of SLC 7A. Recognising the different needs of business consumers, we do not propose specifying exactly where this information is displayed, but it must be in a prominent position on the bill, and be expressed in plain English.

Clarifying the termination and rollover conditions of SLC 7A

3.9. We have proposed an amendment to SLC 7A that allows consumers to give termination notice at any time during their contract, up to the final day allowed for this notice, which may vary by contract but is between 30 to 90 days before the contract ends.

Our reasoning

The problem

3.10. We want businesses to understand their contracts, and be alerted to the end date of their contract in a timely manner so that they can consider alternatives and make informed choices. If they want to switch supplier, they should be able to do this with the minimum of fuss.

3.11. Most business consumers are on fixed term contracts. Their terms usually set out that they must provide notice that they do not want to automatically rollover their contract for a further fixed term and/or that they must send notice of termination a minimum of 30 to 90 days before the end of their contract. The practice of most suppliers in this sector is to automatically rollover their customers onto another fixed term contract if their customer does not provide notice. SLC 7A currently means that suppliers cannot roll micro business customers over for more than 12 months, but customers outside this category may be rolled over and tied into another fixed term contract for longer than a year.

3.12. We have evidence that businesses larger than those currently captured by the SLC 7A definition still exhibit many of the same characteristics as micro businesses. For example, many small businesses are not always sure or aware that they had a contract with their energy supplier and understanding of the end of the contract period can be poor.³⁶

³⁶ Opinion Leader, Research Findings on the Experiences of Non-domestic Customers, August 2012.

3.13. Consumer research also suggests that some businesses do not get clear enough information about their contracts. A significant proportion of businesses³⁷ have complained they have been rolled over onto more expensive contracts without their knowledge. Research from the Forum of Private Business (FPB) noted that 69% of their members surveyed felt it was difficult to keep up to date with contract anniversaries, and notification periods were even harder to keep track of. In our recent quantitative research 12-13 per cent of SMEs who said they had a contract were dissatisfied with the clarity of their contracts.³⁸

3.14. If consumers miss these dates they can be rolled over onto more expensive contracts than they could have achieved if they had looked for a new deal. Premiums of 40 per cent for electricity and 53 per cent for gas for rollover prices have been cited by a TPI in January 2012.³⁹ A number of respondents to our consultation continue to call for Ofgem to remove the ability of suppliers to rollover contracts without the customer's active consent. Currently, there are no restrictions to the duration of a fixed term contract that businesses larger than micro businesses can be rolled onto. As we noted in our previous consultation, we will review the pros and cons to consumers of placing a ban on auto-rollover contracts once we have concluded this consultation on the consumers covered by SLC 7A.

3.15. Respondents to our consultation also expressed views that the termination procedures are often confusing. Our review of suppliers' offerings confirmed that some suppliers accept notice not to automatically rollover as effectively also a termination notice. However, others require two separate statements from customers, if the customer notifies them of their intention not to rollover before an allowed termination window.

3.16. Many business consumers⁴⁰ are prevented from switching supplier because they are still in contract. If consumers were more regularly informed about the important dates of their contract, we expect there would be fewer problems when trying to switch supplier.

Addressing the problem

Expansion

3.17. In November 2011 we proposed extending the coverage of SLC 7A to cover small as well as micro businesses.⁴¹ Respondents were broadly supportive of

³⁷ 26 per cent of FSB members surveyed have been rolled over onto another fixed term contract without knowing. Federation of Small Business, 'Voice of Small Business' survey panel, April 2012. <http://www.fsb.org.uk/fsb-survey-panel>

³⁸ Accent, 2012.

³⁹ Consumer Focus/Cornwall Energy, Under the microscope - reviewing the micro-business energy market, September 2012.

⁴⁰ See Figure 2.4 of the draft Impact Assessment. 81% of objections in our sample were related to termination procedures.

⁴¹ Fewer than 50 employees and turnover/balance sheet not greater than €10m, or

extending these protections but many disagreed with parts of the proposed definition. We received support for our suggested use of 293,000 kWh for a gas threshold, as this was in line with industry norms and a watershed usage for consumers receiving monthly gas bills. We are therefore minded to continue with that part of our proposal.

3.18. Concerns were raised by suppliers about the practical implementation of the other parts of the definition into their processes and also felt that large businesses may be inadvertently covered by protections that would not be relevant to the environment they face. We have been working to find a threshold that business consumers can easily identify with and suppliers can verify with relative ease.⁴²

3.19. We believe our revised definition addresses many of the concerns with our previously proposed definition.

- Our research has indicated that expenditure and consumption levels are strongly linked to the level of engagement in the market and that micro and smaller businesses display similar characteristics.⁴³ We therefore do not want to add to the emphasis on employee numbers and turnover by expanding these elements to the EU small business definition⁴⁴ as proposed in our previous consultation. By retaining the employee and turnover characteristics of the micro business definition we eliminate any possibility of current micro business consumers not being covered.
- Our proposed consumption thresholds are significantly higher, almost double for electricity, without bringing large businesses within the definition. The proposed electricity threshold of 100,000 kWh per year falls significantly below the level at which a consumer would be required to have a HH meter (as specified in industry processes).⁴⁵ There is a clear difference in suppliers' products and the number of suppliers that cater for consumers that have HH meters.

Electricity meter profile class 3 and 4, or Gas consumption less than 293,000 kWh per year, or Any business covered by the existing micro business definition

⁴² Our information request to suppliers illustrated different and more sophisticated market offerings as customers got larger. This includes a greater prevalence of individual account managers at the larger end, as well as greater use of energy specialists that engage with suppliers on a large business's behalf. We would not expect that these businesses customers would need additional clarity on their contract terms.

⁴³ Research groups demonstrated for consumers at a micro business level (by size and turnover), large consumption/expenditure was key to their knowledge and engagement.

⁴⁴ Fewer than 50 employees and ≤€10 million turnover or balance sheet

⁴⁵ E.g. the estimated minimum consumption for a profile class 3 electricity meter to require HH metering is 315,000 kWh per year. Source: Elexon.

http://www.elexon.co.uk/wp-content/uploads/2012/01/change_of_measurement_class.pdf

- The original limit of 55,000 kWh in the micro business definition was partially linked to the maximum claim amount possible in a small claims court. However, this small claims threshold will increase from £5,000 to £10,000 from 1st April 2013. In today's prices, 100,000 kWh will cost around £10,000.

3.20. We believe that our definition strikes an appropriate balance between covering the businesses that need protection and ease for consumers and suppliers to identify these businesses.

3.21. By expanding the scope of SLC 7A, there will be implications for our alignment with current legislation and statutory instrument practices in relation to consumer complaints. The micro business definition is currently used operationally by the Ombudsman⁴⁶ and has been adopted by consumer organisations and suppliers in relation to the Complaints Handling Regulations.⁴⁷

3.22. We are keen to ensure that there is consistent regulatory support for small businesses and are discussing this further with relevant parties (including BIS, DECC, the Ombudsman, and the Citizens Advice consumer service). Longer term solutions may require changes in legislation.⁴⁸ In the meantime, we are discussing with the Ombudsman, Consumer Focus and the Citizens Advice consumer service (CACS) how they might assist small businesses. We believe there would be merit in a voluntary agreement amongst suppliers to ensure that small business consumers (not previously covered by the micro business definition) may be referred to these organisations and discussions are ongoing. Early discussions have suggested that there is some flexibility already given by these organisations to the existing definition.

3.23. Additionally, we are aware that not all suppliers signpost small business consumers to CACS. We consider it would be beneficial to consumers if there was a consistent approach across the market.

Contract end dates on bills

3.24. Consumer groups and Third party intermediaries (TPIs) in response to our November 2011 RMR consultation have told us that small businesses would benefit from the end date of their contract being clearly placed on the bill. Our consumer research⁴⁹ indicates that while some consumers do not read all the communications they receive from suppliers, they generally always look at the bill. A number of stakeholders believe that clear signposting of the contract end date would alert the

⁴⁶ As part of the CEAR ACT : Consumers, Estates Agents and Redress Act 2007 : <http://www.legislation.gov.uk/ukpga/2007/17/contents>

⁴⁷ The Gas and Electricity (Consumer Complaints Handling Standards) Regulations 2008 : <http://www.legislation.gov.uk/uksi/2008/1898/contents/made>

⁴⁸ Article 2(1) of The Gas and Electricity Regulated Providers (Redress Scheme) Order 2008 and the CEAR Act.

⁴⁹ Opinion Leader, 2012.

bill payer they were on a fixed term contract, and act as a prompt for them to review their options in a timely manner.

3.25. We sought views from suppliers on the proposal of putting contract end dates on bills in a recent information request and the majority were supportive.⁵⁰ Two suppliers have already committed to do this. We believe businesses covered by SLC 7A would benefit if they could expect to see this information on all suppliers' bills.

3.26. Our information request and consultation responses from consumer groups and TPIs also highlighted that termination notice periods often differ between suppliers. We are concerned that if only the contract end date is on the bill, consumers may still not be clear when they are required to give notice.

Clarifying the termination and rollover conditions of SLC 7A

3.27. We believe that our proposal to require suppliers to align the notice periods for giving notice to prevent automatic rollover of contracts⁵¹ with the notice period for termination will help reduce some of the confusion respondents reported. As noted earlier, some suppliers already do this and treat a notice that the customer does not want to rollover their contract for a further term as also being a notice that they want to terminate their contract at the end of the fixed term period. But making this proposed licence amendment would mean that businesses customers will no longer need to serve two notices to their supplier if they inform their supplier at the start of their contract of their intention not to rollover.

3.28. We note one other issue that arose in our compliance review of SLC 7A and in a response to our November consultation. One of the conditions in the licence (SLC7A.3) is that a supplier must not include a term in a micro business consumer's contract that enables them to terminate the contract or apply different terms and conditions to that contract during a fixed term period on the grounds that the customer is no longer a micro business consumer. This was intended to provide clarity in the event that during a fixed term period, energy consumption, employee numbers and/or turnover could fluctuate. A supplier asked if an exception could be made to this rule in a specific scenario. Specifically, this where a micro business customer undergoes a significant and continued increase in their energy usage to the extent that the supplier is, under the industry rules, required to install a half-hourly meter.⁵² Given the significant increase this implies, we understand this has not been a frequent occurrence. Where it does happen, the costs of metering and energy charges can change significantly. But under the terms of SLC7A.3, suppliers cannot change the terms of the contract, which includes the prices in the contract.

⁵⁰ 16 suppliers were supportive of the principle, although some believed it should only apply to the SME market. Five suppliers were opposed, and four suppliers were either undecided or agreed with the principle with some reservations.

⁵¹ Suppliers are currently required to inform micro business customers that they can notify the supplier that they do not want to automatically roll over at any time up to the Relevant Date, which is the latest date by which notice can be given.

⁵² Any supply must have a HH meter where the average of the maximum demands in the three months of highest demand over a 12 month period is more than 100kW.

3.29. Originally, it was intended that suppliers could account for this situation, for example, by setting out alternative charges in the event of a meter change. It would also be possible for the contract between the supplier and customer to terminate by mutual agreement. There are more suppliers offering contracts to half-hourly metered customers, so a customer may find a better deal elsewhere and may not want to continue with their contract. As shown in Figure 2.3 in Chapter 2, unit rates for smaller businesses are usually higher than for larger businesses, so this may be to a customer's advantage.

3.30. But there may be situations where a customer wants to move to take advantage of a better deal, but cannot come to mutual agreement with their supplier to terminate. In this scenario, it would be to the benefit of customers if SLC7A.3 was amended to allow an exception that clauses in contracts could allow for termination if usage exceeded a certain large threshold. However, this would mean that the customer would not have any more of the other protections in SLC7A.

3.31. On balance we consider that it is unlikely that there will be many customers who suddenly significantly increase their energy usage. We also consider that as this rule only applies when there are fixed term contracts in place, any detriment to either the customer or the supplier will be limited by the contract term. And as mutual termination of a contract is equally possible, the amount of harm this could cause is further limited. On the other hand, offering a carve-out clause may introduce uncertainty into contracts. This is further complicated by changes that are taking place as a consequence of the requirements for customers to have smart or advanced metering. It is unclear at this stage how industry rules around half hourly metering will change, and also supply contracts. After weighing up these considerations, we do not propose to change this term at this time. However, we would welcome further views from consumers and suppliers on this (see Question 8).

3.32. We believe the proposals set out in this chapter improve on our November 2011 proposals, addressing concerns and suggestions from stakeholders, in particular relating to the definition of consumers to be covered by the SLC7A protections. The draft Impact Assessment published in the supplementary Appendix to this document sets out supporting evidence and alternative options in more detail.

4. Customer transfer blocking – ‘Objections’

Chapter Summary

This chapter informs readers of our enforcement investigation in this area and sets out our plans to increase our monitoring of supplier behaviour during the customer transfer process. It also describes issues with the objections process raised in consultation responses, and sets out where we expect industry to make improvements to current practices.

Question 10: Do stakeholders agree that industry processes could be improved to alleviate current issues with the objections process?

Question 11: Do stakeholders agree that we do not need to make further changes to the licence conditions at this stage?

Question 12: Do stakeholders agree that we should collect and potentially publish information from industry sources rather than from suppliers?

Introduction

4.1. The objections process allows suppliers an opportunity to prevent a customer from switching to another supplier, when the supplier has a justifiable reason. Typically this would be for contractual reasons (when the customer is still in contract or has outstanding debt) or if the transfer was initiated by mistake.

4.2. Our November 2011 consultation summarised the findings from research into the objection procedures of suppliers. The research highlighted that business consumers were not always given clear information about why there had been an objection to their transfer and what they needed to do to resolve it. We published an open letter as part of our November 2011 consultation setting out what we considered to be good practice in suppliers’ communications with customers on this matter. We also stated that we were considering a range of enforcement and regulatory action to ensure that current licence requirements are properly adhered to.

4.3. Our open letter was broadly welcomed and we have seen a number of suppliers amend notices to their customers as a result of this. Anecdotal feedback and initial transfer data analysis indicates that objection rates for a number of suppliers also appear to have fallen since we published our letter. But respondents raised further concerns, including three additional problems associated with the objections process, and allegations of non-compliance with existing licence conditions.

Our measures

Enforcement and regulatory action

4.4. Since our November 2011 publication, we have opened an investigation⁵³ into whether British Gas Business is complying with the requirements of condition 14 of their gas and electricity supply licence (SLC 14), regarding the objections process.⁵⁴ Details on the outcome of this investigation will appear on our website in due course.

4.5. Condition 14 sets out the provisions around business customer transfer blocking. The only permissible reasons for objecting to a request to transfer a business customer supply (SLC 14.2) are if the transfer request runs counter to a relevant contractual agreement or if the transfer has been initiated in error. Electricity suppliers are allowed an additional reason for system reasons, namely if the new supplier has not applied for all relevant meter points on the same working day.

4.6. Condition 14 also requires that once an objection to a change of supply has been given, the supplier must provide written notice informing the customer:

- (a) that it has made a request to prevent the transfer (14.3(a));
- (b) of the grounds for the request (14.3(b)); and
- (c) how the customer may dispute or resolve such grounds (14.3(c)).

4.7. We continue to take compliance with SLC 14 seriously given its importance in ensuring that the objections process does not get in the way of businesses being able to switch within the terms set out in their contract.

Encourage industry resolutions

4.8. The three further issues highlighted by responses to our previous consultation were: supplier practices around change of tenancies, multiple invalid registrations, and win-backs. These are explored more in paragraphs 4.17 to 4.22 in the following section.

4.9. We are concerned about any misuse of the change of supplier process. Governance of this process, though, largely rests with the relevant industry codes.⁵⁵

⁵³ For the avoidance of doubt, the fact that Ofgem has launched an investigation should not in any way be taken as implying that there has been a breach of a licence condition.

⁵⁴ The notice for this can be seen at the following link:
<http://www.ofgem.gov.uk/About%20us/enforcement/Investigations/CurrentInvest/Pages/CurrrentInvstgtns.aspx>

⁵⁵ For electricity this is the Master Registration Agreement (MRA) and for gas, the Uniform

We therefore encourage the industry to solve these issues without the need for specific regulatory intervention; such as making modifications to industry codes, to improve these processes and to help to make the process of switching more efficient.

4.10. We will monitor whether changes to industry process are made and if they do enough to improve consumer experience with the objections process. We will consider if changes to licences (other than that proposed in Chapter 5 in the context of SOC) will be necessary, in the light of this monitoring.

Increased monitoring

4.11. We intend to increase our monitoring of the level and type of supplier objections to keep the need for further guidance or licence changes under review. This will include collecting data from distribution companies (for electricity) and Xoserve (for gas) to improve our monitoring of objections across the non-domestic market. We will consider if we need to retain the current voluntary monthly reporting requirements on suppliers alongside these sources.

4.12. Although we will not be publishing any data at this time, we may make use of statutory powers to publish this in future if we consider it to be in the interest of consumers.

Future changes to the change of supplier process

4.13. In July 2012 we published a work programme for promoting smarter energy markets⁵⁶ on the back of the roll-out of smart metering. That document sets out our longer-term objective for a fast, reliable and cost-effective change of supplier process, which will facilitate competition and build consumer confidence in retail energy markets. We have committed to assess the options for reform. We have identified a number of aspects of the current arrangements to examine further, including the process used by suppliers to object to customer transfers.⁵⁷

Network Code (UNC).

⁵⁶ Promoting smarter energy market; a work programme, 31 July 2012, Reference 110/12. <http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=52&refer=Markets/sm/strategy>

⁵⁷ Ofgem has recently approved a code modification (UNC403 and iGTUNC042) to the Uniform Network Code to allow a variable objection window in gas, to enable switching to occur within 21 days. The objection window for gas will now vary between two and seven working days.

Our reasoning

The problem

4.14. A competitive market relies on consumers being able to switch suppliers with the minimum amount of time and effort. In some circumstances we allow suppliers to object to a proposed customer transfer, if for example they are in debt to the supplier or are still under contract. In the non-domestic market, objections are more common as the majority of businesses⁵⁸ report they have fixed term contracts. However, we have had concerns that the objections process is being abused.

4.15. While we have noted improvements since November last year, we are concerned that some suppliers still object to close to 50 per cent of consumers wishing to leave. We recognise that in some cases repeated objections are made against multiple attempts by the same customer to leave, which raises the percentage of objections made. But we consider that objections should be the exception to the rule, not the norm. If consumers are consistently frustrated by the switching process, or face financial penalty because it has taken too long, then they will be less likely to switch in future⁵⁹, which diminishes competitive pressure on suppliers.

4.16. Consultation responses to our RMR non-domestic proposals highlighted three additional concerns around the objections process: practices around change of tenancies, multiple invalid registrations, and win-backs. These issues are set out below.

Practices around change of tenancies

4.17. Industry processes allow suppliers to place a (COT) 'flag' when they register a new supply point to indicate to the outgoing supplier that the customer is a new tenant and should be free to change supplier without objection. It flags to the outgoing supplier that they may not have a valid reason to object to transfer, as under the terms of our SLC 14, they can only object when they have a valid reason. If they do not have a contract with the new tenant they would not be able to object to the transfer of supply.

4.18. There are allegations of suppliers being either 'overly generous' with using COT indicators when they do not have adequate proof, or too complacent in accepting them as valid. Respondents also linked this area to allegations of unscrupulous activity by TPIs, and possible fraudulent activity by customers, where, they allege, customers could pretend there has been a change in tenancy to be able

⁵⁸ 86 per cent of electricity consumers and 79 per cent of gas consumers of those respondents with an energy contract reported they were on fixed term contracts (Accent, 2012).

⁵⁹ Among SMES who had never considered switching, 25 per cent of SMEs using electricity and 28 per cent using gas believe it is 'too much hassle' (Accent, 2012).

to move supply and avoid debt or get out of energy contracts without facing termination charges.

Multiple invalid registrations

4.19. Suppliers have a period of time to raise an objection to prevent a proposed supply transfer from taking place after they have received notification that a customer wants to leave. This objection window is five working days for electricity and two to seven working days for gas, dependent on bank holidays. If an objection is withdrawn within this window then the consumer can switch without any delay. But a consumer may not be able to resolve the issue for an objection to be withdrawn within the objection window. Therefore the new supplier may have to re-apply for the customer.

4.20. A number of respondents raised concerns about suppliers repeatedly applying to transfer a customer, even after multiple objections had been raised by the current supplier. We investigated electricity switching data and saw that most suppliers objected once or twice and usually no more than three times. However, a small number of suppliers differed significantly from industry norms. They re-applied four or more times to around a third of the customers they are trying to gain. At the extreme they apply up to nine or ten times.

4.21. We recognise that there may be a number of reasons for these higher application rates. For example, a supplier may have a greater proportion of their new customers from new tenancy properties. However, we have concerns over what multiple re-applications mean for the consumer. For example, a consumer may be attempting to transfer onto a better energy deal, but the length of time it is taking them to switch may mean they are paying inflated rates for a long time. Alternatively, given the consumer will be receiving a letter at each unsuccessful application to transfer supply explaining the reasons why they are not able to transfer, we would expect there would be conversations with the customer, their existing supplier and their new supplier to resolve the issue. Excessive repeated attempts could suggest poor service by the supplier(s) in failing to resolve the issue or communicate effectively.

Win-backs

4.22. Win-backs (or re-contracting) occur when a customer has agreed a contract with a new supplier, but is then offered an improved contract by their existing suppliers and stay with them. In July 2007⁶⁰ we published an open letter setting out our views on objection rights and win-backs and amended SLC 14 to make clear a transfer could only be blocked if it relied on terms in the current contract.

⁶⁰ 'Modifying the arrangements for the use of objections in the non-domestic market for gas and electricity supply', 27 July 2007.
<http://www.ofgem.gov.uk/Markets/RetMkts/Compl/CustTransf/Documents1/non%20domestic%20objections.pdf>

Addressing the problem

4.23. We are encouraged that our letter clarifying existing rules and setting out best practice has resulted in improved behaviour in many cases. We are also aware of renewed focus on the COT process within industry bodies. We also note that our proposals in the Standards of Conduct chapter (Chapter 5) may also positively impact on these issues. We also expect that improved monitoring and enforcement of TPI activities will help to reduce the problems in this area.

4.24. We therefore believe it is not appropriate at this stage to propose specific licence changes to correct the issues identified. However, we will continue to keep this area under close scrutiny.

4.25. Further, we strongly encourage suppliers to seek ways of improving the consumer experience in this area, including through improving communications and amendments to industry processes, where appropriate. We maintain the view that the objection window was not intended to be used for commercial negotiations to allow the existing supplier to retain the customer and should not be used for this purpose. We would hope to see code modification proposals in the coming months to address some or all of the issues we have discussed above with the objections process.

4.26. The draft Impact Assessment sets out supporting evidence and alternative options in more detail.

5. Standards of Conduct for non-domestic consumers

Chapter Summary

This chapter sets out our proposal to require suppliers to take small business consumer needs into account when billing, contracting and transferring small business customers. We set out our reasoning on why we think this proposal strikes the right balance between addressing the needs we have identified in the market and concerns that our intervention will impact a working market.

Question 13: Do you agree with our proposed approach to tackle issues in the non-domestic market? If not, which alternative proposals do you prefer?

Question 14: Does the proposed approach to enforcement mitigate stakeholders concerns about the regulatory uncertainty and risk?

Question 15: Do you agree the proposed binding Standards should cover small businesses only?

Question 16: Do you agree with the assessment that the scope of the binding requirements should focus on the relevant activities of billing, contracting, and transferring customers (and matters covered by related existing licence conditions)?

Question 17: Do you have any information about potential costs and benefits of the roll out of the Standards of Conduct?

Question 18: Do stakeholders have views on the proposed New Standard Condition 7B set out in Appendix 4?

Introduction

5.1. Consumer groups were supportive of our November 2011 proposal to bring in binding Standards of Conduct (SOC). But many suppliers questioned whether it would be proportional to apply them to the non-domestic market. They said that the market is already working to encourage good practices as their customers 'vote with their feet'. This means that they already have market incentives to have a good standard of service, to win and retain customers.

5.2. Given these divergent viewpoints, we have reviewed market indicators, contacts data and the findings of additional research that we commissioned to explore business consumers' views of the market. Some of these key findings were set out in Chapter 2.



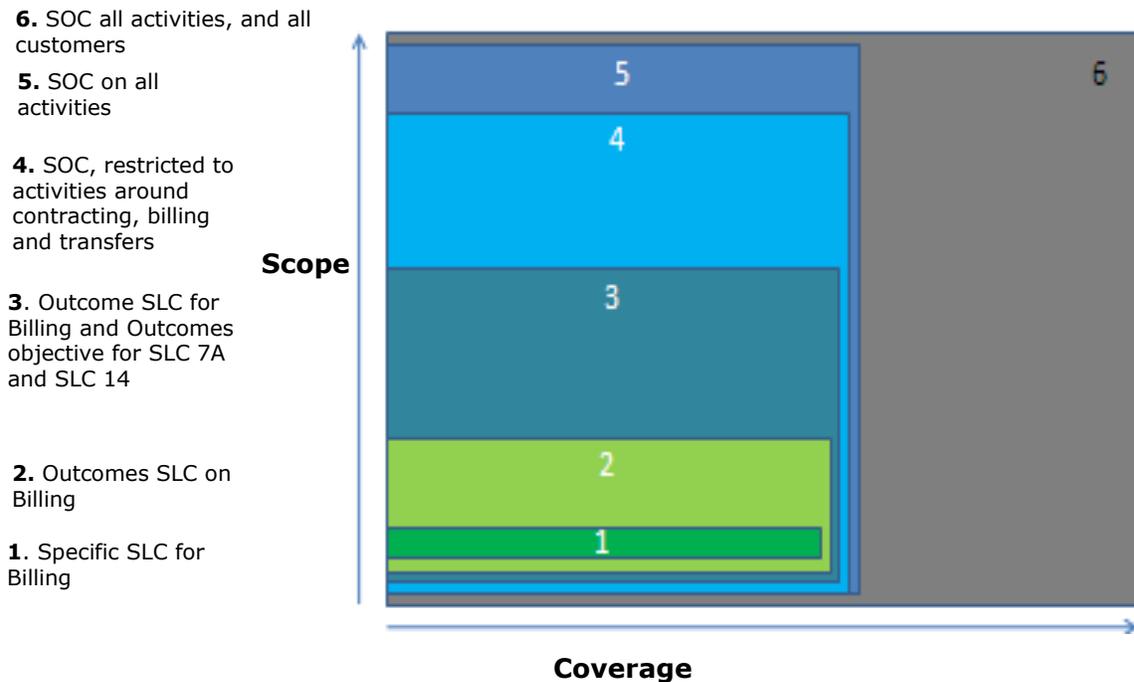
5.3. Our research tends to support the view that, for the most part, the market is working. But we also have evidence that the degree of engagement and competition in the market for small businesses is weaker than for large businesses. Small businesses appear to particularly face problems when contracting, when transferring to another supplier, and with their bills. These themes show up in a number of sources.

5.4. In selecting our preferred solutions, we have been mindful of the differing needs across business consumers, even within similar groups of consumers, and of the other measures we are putting in place, particularly through the enhancements to SLC7A. Similarly, we have taken into account that suppliers to this sector range in size, engage with their customers, and structure their business processes, in different ways.

Our proposals

5.5. We considered a number of options to address the problems we have identified, from very specific with a narrow scope and coverage, to more wide-ranging with wide scope and coverage. The Figure 5.1 below illustrates the 6 options we considered (and which are discussed in more detail below). We believe that the most appropriate are options 3 and 4 that narrow the coverage of protections to small businesses, and focus on the problems areas identified around billing, contracting and customer transfers.

Figure 5.1: SOC options considered



5.6. Our preference, for the reasons given in the next section, is **Option 4**. So we propose to introduce a new obligation on electricity and gas suppliers requiring them to meet prescribed standards of conduct in their dealings with small business consumers, when engaging in the relevant activities of billing, contracting, and transferring customers. This definition of small business consumers will match that contained in our SLC 7A proposals (see Chapter 3).

5.7. The SOC will oblige suppliers to treat their customers fairly and require them to take small business consumer needs into account when billing, contracting and transferring customers. We believe this will help to reduce the problems currently faced by small business consumers and improve the effectiveness of their engagement.

5.8. The proposed Standard Licence Condition (SLC) drafting is attached in Appendix 4. The Standards are expressed with an overarching objective of treating customers fairly. They then specify other aspects of consumer and supplier interactions that we expect suppliers to consider in the context of the SOC. These include (but are not limited to) requirements for suppliers to carry out their actions in an honest, transparent, appropriate and professional manner; and that suppliers provide accurate information and ensure customer service arrangements and processes are fit for purpose. This would be limited to the interactions of billing, contracting and transferring customers.

5.9. For the avoidance of doubt, the SOC do not impose restrictions on the level of supply prices⁶¹ that energy suppliers charge as a means of ensuring fair treatment. However, we do propose that the SOC will apply in the case of Deemed contract charges, as they are already the subject of rules on unduly onerous charges.

5.10. The new condition will act as a complement⁶² to pre-existing licence obligations and wider legal requirements. The proposed new obligation would replace the existing voluntary SOC for smaller non-domestic consumers that were introduced after the Energy Supply Probe.

5.11. How the Standards are given operational effect will not be prescribed explicitly by Ofgem. Under these proposals, electricity and gas suppliers will need to develop and maintain ways of embedding fairness into their business processes and management reporting, particularly when engaged in billing, contracting and transferring customers.

5.12. We propose the SOC licence condition includes an obligation on suppliers to inform customers, on an annual basis, how they will apply the principles outlined in the SOC to their business. This will help consumers understand what specific actions they can expect from a supplier in relation to the SOC. Suppliers, Ofgem and other

⁶¹ This exclusion applies to “Charges for the Supply of Gas/Electricity” rather than all charges.

⁶² Except for in the event of a conflict between this new SOC condition and paragraph 2 of standard condition 14, that sets out rules for objecting to a customer’s proposed supply transfer, this condition will prevail.

organisations can help increase consumers’ awareness of the SOC, and we will consider how best to provide consumers with a high-level understanding of the Standards of Conduct. We consider this will help to make consumers more aware of the existence, and meaning, of the SOC.

5.13. Alongside this, we would provide some clarification about the terminology used in the SOC. This would involve producing limited guidance around existing legal definitions of key terms within the SOC including what we mean by “professional manner”, “appropriate”, etc. This would provide suppliers and consumers greater clarity regarding these terms. However, suppliers will still be solely responsible for ensuring that the concept of fairness is embedded within their organisation, including how this is made operational within their business.

5.14. While we are proposing to limit the scope of this condition to defined activities on the basis of the evidence we have, we note that this does not negate the need for fair treatment across all business activities.

5.15. Similarly, we note that the absence of proposing binding SOC for larger business consumers does not negate their need for fair treatment. We would therefore encourage suppliers to be transparent in the standards they aim to offer larger business consumers and allow customers to hold them to account, for example through publishing a customer charter on their website.

5.16. We will be holding round tables with suppliers of small business customers and consumer groups during this consultation period to discuss our proposal in more detail.

Proposed enforcement

5.17. A key concern from suppliers when responding to our November consultation was that our SOC proposals could bring significant regulatory risk. To address this, we are now proposing to introduce a bespoke approach to enforcement specifically to apply to the SOC. The proposed approach to enforcement will be the same approach we are proposing in relation to SOC for the domestic market. We will take a proportionate approach to investigating issues in line with the criteria set out in Chapter 3 of our Enforcement Guidelines⁶³.

5.18. We propose that our assessment of the seriousness of a potential breach will include consideration of whether a reasonable person, intent on complying with the fairness objective of the SOC, would have acted in the way the supplier did in its interactions with customers. To this end we will have regard to the supplier’s actions and considerations (including at senior level) in (i) the development of new policies or processes, and amendments to existing policies and processes; (ii) the monitoring of its implementation of new initiatives and operation of existing policies and

⁶³<http://www.ofgem.gov.uk/About%20us/enforcement/Documents1/Enforcement%20guidelines%202012.pdf>

processes; and (iii) the taking of remedial action where any adverse consequences for customers came to light. This will mean that usually we will ask suppliers for contemporaneous documents so we can make this assessment before opening investigations.

5.19. Depending on the extent to which we think the supplier can demonstrate via contemporaneous documents that they acted reasonably during all of these stages, we will be more or less likely to take enforcement action. Enforcement action could be based on failings in any or all of these stages. In line with the procedures set out in our Enforcement Guidelines, we propose to consider this in the round with other factors, such as the degree of harm, or potential harm, to customers. As always, we would take a proportionate approach to enforcement action.

5.20. We are currently undertaking a review of Ofgem’s enforcement policies and procedures, which will take the SOC enforcement approach into account and may lead to further revisions to the Guidelines. We will publish our initial thinking on the review in March 2013.

Our reasoning

5.21. In this section we set out our reasoning as to why we consider our proposed action to be necessary and proportionate - drawing on our own evidence and analysis and the evidence drawn from submissions and stakeholder engagement.

The problem

5.22. Business consumers should be treated fairly - and should expect to continue to be treated in this way. Consumers should feel that when they interact in the market they will receive accurate information, can easily contact their supplier and when they do have dealings with their supplier, they will be treated fairly. Contracts should be clear and help consumers understand their rights, including when a contract ends. Billing should be clear and help consumers understand what they are paying and how their charges break down. Information should be provided that helps business consumers when they want to change their supplier. Issues should be dealt with promptly, minimising the time business consumers spend dealing with problems. Information given should help non-domestic consumers make informed decisions and help them to participate in the market.

5.23. Our review suggests that this is not always happening in a timely manner. In particular, our analysis of the problems highlights that the main cause of problems in the market are centred on the activities of billing, contracts and transfers by a business from one supplier to another.⁶⁴⁶⁵⁶⁶

⁶⁴ Accent, 2012

⁶⁵ Opinion Leader, August 2012.

⁶⁶ Consumer Direct/OFT, 2012

5.24. Billing is an area with only limited protections at present. There is a recently developed voluntary micro business billing code.⁶⁷ The only current licence condition covering billing is the requirement on suppliers to reflect business consumer's actual consumption in bills, when this information is provided by a non-domestic consumer.

5.25. The other two areas – contracts and transfers – are closely related to SLC 7A and SLC 14, which we discuss in chapters 3 and 4. However, the range of issues and contacts in these areas are wider than necessarily the specific requirements of the current licences.⁶⁸

5.26. As stated earlier, we considered 6 options to help business consumers: They are discussed below.

5.27. **Option 1:** Introduce a prescriptive licence condition on billing, to protect smaller businesses as our research indicates problems are less of an issue for larger businesses.⁶⁹ This approach focuses on the activity that shows up consistently in contacts and consumer research, but which there are currently very limited requirements. It would outline a prescriptive set of rules associated with the billing problems identified that suppliers would need to meet in order to comply with the licence condition. This would limit the degree of flexibility that suppliers have to meet their obligations with this licence condition but suppliers would have clarity on expectations from Ofgem and consumers would have clarity on what suppliers needed to do. However we think that having detailed and prescriptive rules is impractical. Given our findings that consumers' preferences may differ, taking account of different needs could make a licence condition very complex. It is also likely to be incomplete; it places too much reliance on regulatory design and insufficient onus is placed on the behaviour of suppliers. This very narrow option does also not take account of wider problems we identified with contract and transfer circumstances. For these reasons, we did not progress this option.

5.28. **Option 2:** This option also has a narrow focus, with a new licence condition for smaller business consumers on billing. But in this option the billing licence condition is drafted in an outcomes based/principles based approach to regulation. This use of principles regulation would give suppliers a degree of flexibility to meet their obligations with the licence condition, as we would not dictate how they should interact with consumers. This provision would include an overarching focus on fairness, which would help steer suppliers on how they should focus their activities around billing. However, as for option 1, this narrow scope does not address problem in the other identified areas. We therefore do not support this option.

5.29. **Option 3:** This option introduces an outcomes based licence condition on billing, and also introduces an over-arching objective to the licence conditions

⁶⁷ See footnote 25.

⁶⁸ For example, the vast majority of contacts around transfers are outside the scope of SLC14 including problems around poor processes and erroneous transfers (based on Consumer Direct/OFT data).

⁶⁹ Insight Exchange, 2012.

covering small business contract rules (SLC7A) and objections to transfer (SLC 14). This approach would introduce new requirements around billing and build on existing protections around contracts and transfers, as indicated by our issues analysis. The overarching principle above SLC 7A and SLC 14 would seek to ensure that suppliers treat their customers fairly and approach compliance within the spirit of fairness, when meeting the specific clauses in the condition. This option may meet a number of concerns in the areas of billing, contracts and transfers. However, we are concerned that by limiting the objective to only relate to our existing licence conditions, we continue to fall short in addressing identified problems. For example, a significant proportion of complaints around transfers are outside the coverage of the existing licence condition. This is therefore not our preferred option.

5.30. **Option 4:** This will implement binding SOC for when interacting with small businesses within the defined activities of billing, contracts and transfers. These are the three areas of greatest problems in the market, covering more than two thirds of all small business contacts. This approach would allow suppliers to account for the differing needs of diverse types of business consumers and adapt to new consumer issues in those areas and to technological changes. This approach would also cover activities that fall outside of the scope of existing licence conditions on contracts (SLC 7A) and transfers (SLC 14). This is our preferred option

5.31. **Option 5:** To implement binding SOC when interacting with small businesses, covering all interactions between suppliers and consumers. This option widens the scope of our intervention in the market. However, we do not, at this stage, believe we have enough evidence to justify this wide scope. Given our finding that, unlike the domestic market, there is not an overarching lack of trust with energy suppliers, it may not be necessary or proportionate to cover all interactions with our proposals.

5.32. **Option 6:** Our final option is to implement binding SOC when interacting with all businesses, covering all interactions between suppliers and consumers. But evidence suggests problems are centred on smaller businesses and the need for these protections for larger businesses is limited. Most respondents to our previous consultation shared this view. We have tested our proposals with business consumers and found that there is less support amongst large business consumers for the enforceable SOC protections than amongst smaller firms. Large firms feel they have a more business-like relationship with their supplier and feel they are adequately informed and positioned to deal with problems. In contrast, smaller businesses often cited poor experiences when they have dealt with their energy supplier and felt insufficiently protected in a market that they find confusing and complex.⁷⁰ This complexity includes issues over billing, comparing prices and tariffs. We therefore do not propose taking forward this proposal to apply SOC to all business consumers.

⁷⁰ Insight Exchange, 2012.

Addressing the problem

5.33. As set out above, we believe option 4 most appropriately addresses the problems we have identified in the market. We are contemplating regulatory action because consumer issues around billing, contracts and transfer are problems for significant numbers of small business consumers, in spite of there being voluntary SOC for smaller business consumers. This suggests that without enforceable SOC, suppliers do not have sufficient incentives to successfully deliver the Standards. In contrast the potential reputational and financial costs associated with contravening a licence condition should help to ensure that the SOC get the attention at senior management and board level that it deserves.

5.34. The SOC follow a principles based approach to regulation. In our qualitative research there were calls for suppliers to offer more tailored, personalised support to smaller businesses, that recognised their circumstances and reduced the amount of time and resource they had to allocate to managing their energy supply. We also noted that in our research the ideal solutions differed across businesses in the same size category: for example one small business wanted more detail on their bills, while another wanted less. By using a principles based approach, suppliers have the flexibility (and opportunity) to adapt their offerings to the needs of their customers without Ofgem applying specific rules or individual licence conditions. It also has the benefit of focussing suppliers on what consumers need rather than on understanding how Ofgem interprets a prescriptive rule.

6. Third Party Intermediaries

Chapter Summary

This chapter sets out our proposal to develop options for a single Code of Practice for non-domestic third party intermediaries (TPIs). We are also launching a review of the wider regulatory framework for TPIs, which we will consult on in the first half of 2013. We are continuing to seek the powers to use certain parts of the Business Protections from Misleading Marketing Regulations to allow us to take action directly against mis-selling to business customers.

Question 19: Do stakeholders agree with the proposal for Ofgem to develop options for a single Code of Practice (the Code) for non-domestic TPIs?

Question 20: Do stakeholders consider the Code should apply to all non-domestic TPIs (including those serving small business and large businesses)?

Question 21: What do stakeholders consider should be the status of the Code, the framework in which it should sit, and who should be responsible for monitoring and enforcing the Code?

Question 22: Would you like to register your interest in attending the TPI working group?

Question 23: What issues should Ofgem consider in the wider review of the TPI market? What are the benefits and downsides to looking across both the domestic and non-domestic market?

Introduction

6.1. Third party intermediaries (TPIs) in the non-domestic energy sector are energy brokers or agents who facilitate energy deals between businesses and energy suppliers, typically accessing a range of different supplier offerings. Their services can range from a one-off across the market comparison of offers to help a business switch to a new deal, to longer term relationships with a business such as account management, bill validation, and energy management services. They may also offer similar services in other utilities.

6.2. There are differing characteristics and needs of business consumers across the non-domestic sector. Individual TPIs may provide services across the different segments of the market, or focus only on specific types of business. There are TPIs that only serve businesses with a very large energy spend, and others, at the

opposite end of the spectrum, that only do telesales to smaller businesses. A significant number of consumers use TPIs in the non-domestic market, particularly medium and large businesses.⁷¹ Consumers that seek their services do so because they believe they offer them good market knowledge and help them get the best price. Many suppliers contract with new customers primarily through TPIs. So an important part of protecting the interest of business consumers is ensuring that they can feel confident when using TPIs.

6.3. We expect that the importance of TPIs as an interface between consumers and the energy companies will grow. For example, the introduction of smart and advanced meters and an increased focus on energy efficiency measures by government and businesses is likely to increase the service opportunities for TPIs and potentially their value to consumers.

6.4. Powers to regulate some aspects of TPI behaviour are currently held by the Office of Fair Trading and Trading Standards bodies.⁷² But, given the above and our findings that there was a need to improve transparency and trust in TPIs, we proposed taking three actions in our November 2011 consultation:

- Setting up an accreditation scheme for TPI Codes of Practice, which would award 'quality marks' to Codes that contained essential elements.
- Seeking the powers to use certain parts of the Business Protections from Misleading Marketing Regulations.⁷³
- Placing a marketing licence condition on suppliers in respect of their dealings with business customers, including through TPIs (to the extent that such TPIs would be Representatives⁷⁴, as defined in our supply licence).

6.5. These proposals elicited significant comments in our RMR consultation and the issue of TPIs has captured wider interest. We have considered the responses to our consultation, and our further discussions with many stakeholders, and noted developments in the market. This chapter sets out our updated proposals and our reasoning for them.

⁷¹ Datamonitor's B2B Energy Buyer Research indicates that 39 per cent of Major Energy Users (spending £50,000 per year on energy) used TPIs in the first half of 2012.

⁷² i.e. on the basis of their powers to enforce the Business Protection from Misleading Marketing Regulations 2008.

⁷³

The Business Protection from Misleading Marketing Regulations 2008. Available from: http://www.legislation.gov.uk/ukdsi/2008/9780110811475/pdfs/ukdsi_9780110811475_en.pdf

⁷⁴ SLC 1 of the supply licence defines "Representative" as "...any person directly or indirectly authorised to represent the licensee in its dealings with Customers".

Our proposals

Single code of practice

6.6. We are consulting on a new proposal to develop options for a common Code of Practice for non-domestic TPIs.

6.7. In parallel with consulting on this proposal, and in order to assist with the development of the proposal, we will convene an industry working group before the end of this year (including TPIs, non-domestic suppliers and consumer groups).

- This group would look at the elements that would be in this single Code of Practice. This would also include recommending how to focus the Code on different areas of the non-domestic TPI sector.⁷⁵
- We expect that the group will draw on the experiences of existing TPI codes, with stakeholders identifying elements that will best contribute to consumer trust in the TPI market and engagement with the energy market more generally.
- Working papers from this group will be made publically available, with opportunities for wider stakeholders to comment on recommendations developed by the working group as it progresses.

6.8. While this group considers the contents of a single Code, we will further explore the status of the code⁷⁶, the framework in which it would sit⁷⁷, and who would be responsible for monitoring and enforcing the Code.⁷⁸

Wider TPI review

6.9. We are launching a parallel piece of work to review the regulatory framework for TPIs, more generally. This will consider the question of whether more direct forms of regulation, including the appropriate and enduring status for any established Code

⁷⁵ E.g. TPIs serving large businesses, smaller business, and business switching sites accessed through the internet. Respondents to our November 2011 consultation pointed out that as the needs of business customers differed across the non-domestic market, so too do the services TPI provide to them and therefore some elements of the Code would be more (or less) appropriate to different sectors of the TPI market.

⁷⁶ i.e. whether it would be compulsory for all TPIs. A number of respondents proposed that a TPI Code should be linked back to a licence condition on suppliers to only work with Accredited TPIs.

⁷⁷ Options here would include Ofgem being primarily responsible, or an industry body, or a third party.

⁷⁸ Respondents noted that getting this right would be key in making this Code valuable to consumers.

of Conduct and any existing, voluntary Codes, would lead to better outcomes for consumers.

6.10. This work will consider the wider TPI-energy market issues, including areas where TPIs are taking or seeking to take active roles in the domestic sector (for example in collective purchasing schemes, the Confidence Code, and community energy schemes) as well as our work on the non-domestic sector. We are looking at all these issues together because of a number of overlaps, but this does not preclude us ultimately taking different approaches to domestic and non-domestic TPIs, given the relevant differences that may exist between those sectors. We aim to publish an issues paper for consultation in the first half of 2013.

The status of the two other proposals

6.11. We are continuing to seek the powers to use certain parts of the Business Protections from Misleading Marketing Regulations to allow us take action directly against TPIs for mis-selling to business consumers. This work and our engagement with BIS is on-going and we will update stakeholders on developments in this area separately.

6.12. The option of inserting a specific marketing licence condition on suppliers is linked to our work and proposals on Standards of Conduct (see Chapter 5). A number of respondents to our consultation did, though, have an alternative proposal that suppliers should only be allowed to use accredited TPIs, once a form of reputable accreditation had been set up. We did raise this as an option in our original proposals. We will consider the merits of this once further work has been done on developing options for a single code proposal and as part of our work in considering the regulatory framework it would have.

Our reasoning

The problem

6.13. TPIs can offer invaluable support to consumers who are either time constrained, unsure of how to navigate the market to get the best deal for them, or both. Consumers should be able to trust their advice and, where problems are identified, should have an easily identified and accessible route to resolve problems. There should also be mechanisms in place to prevent future bad behaviour.

6.14. However, we have received complaints of some TPIs who have misled business consumers, or have not given them clear enough information. And there is also frustration (from some consumers, suppliers and TPIs) that there is not a clear and reliable process to prevent further problems from happening, or to identify rogue TPIs. For example, for telesales, we understand that it is the practice of some TPIs is to record only the latter part of a call, during which the contract is concluded, and not to record the earlier part of such calls. This can mean that it is difficult in many instances to prove that the customer has been misled. In our recent research with

business consumers⁷⁹, a number of smaller businesses said that they were wary of TPIs, in particular those involved in cold-calling on the telephone.

6.15. TPIs are the primary route to market by almost all the independent suppliers in the non-domestic market, and also are used significantly by the previous incumbents. If trust in TPIs continues to decline, resulting in fewer customers using their services, this could impact on the strength of competition in this part of the market.

Addressing the problem

6.16. In our previous proposals we said that as we do not currently have direct powers over TPIs, nor have we had much involvement in the TPI sector, we considered a lighter touch approach would be appropriate. We noted the existence of a TPI code of practice already in place for members of the Utilities Intermediaries Association. We also noted plans by other organisations, including energy suppliers and other market participants to set up other Codes that would widen the coverage of TPIs complying with certain standards. As a result, we concluded that a proportionate approach would be to let the TPI market continue to develop with its improvements, but we could offer consumers greater confidence in the content and value of Codes through offering a quality mark accreditation for any TPI code of practice meeting certain minimum standards.

6.17. We had strong responses to our proposals. There was a lot of support for the principle for there being a Code accreditation scheme. However, this support was often qualified, for example through saying that there would need to be strong monitoring and enforcement for this to work properly but that this may be difficult and/or costly.

6.18. There was a general view that a single code would be preferable for a number of reasons. In particular stakeholders suggested that multiple codes:

- might cause the least onerous code to become the most popular, causing a downward spiral in standards;
- may cause increased risk of consumer confusion;
- could increase the possibility that rogue TPIs continue to stay in business for longer by joining another organisations code when disciplined in one code;
- would make it difficult to set up, maintain and access a central database of rogue traders, particularly if different approaches were taken towards disciplinary thresholds;

⁷⁹ Insight Exchange, 2012.

- may allow those who set up the codes to use it to support their own interests; and
- could be an added burden for TPIs who may need to sign up (and pay for) multiple codes.

6.19. Many respondents wanted this single Code to be run by an unbiased body that does not have any financial or business motives. In particular, a number of respondents wanted Ofgem to accredit this single code.

6.20. These views have gained momentum since another Code of Practice for TPIs has been developed by a supplier.⁸⁰ We have noted the differing views in the industry on this code versus another code, and have been approached with views from other suppliers and TPIs exposed to both codes. These include differing views on membership and eligibility criteria, as well as differing views on substantive requirements of Codes and how those requirements should be enforced. This has given us insight into what can happen when there are multiple codes, the concerns that can be raised, and the complexity of resolving divergent views. We previously rejected setting up our own Code for TPIs in part because we considered it would be more onerous to manage than an accreditation scheme and more intrusive in a market where we have not been active. However, what we have seen suggests that the resource requirements may in fact be very similar, given the issues raised above and there appears to be a stronger demand than expected for Ofgem to take a bigger role in this area, including from within the TPI community.

6.21. There was also significant concern that if Codes were not compulsory, they would 'self-select' out those brokers that wanted to mislead or not follow best practice. A number of parties called for Ofgem to introduce a supply licence on suppliers to only use TPIs who have been accredited. Many respondents also said there needed to be strong, unbiased monitoring of codes, for them to be effective.

6.22. Taking all of these points together, rather than individually, we now think that it is appropriate to consult on this new proposal to develop a single code.

6.23. Meanwhile, there have also been related developments in other areas that signal a greater focus for Ofgem on TPIs. We will be taking over ownership of the Confidence Code for domestic switching sites from early in 2013 and will be reviewing the Code itself and how it can best help consumers. Given that it sets out minimum requirements that third party comparison sites must meet (for domestic consumers), we are mindful of the parallels this may have with a non-domestic TPI Code of Practice. There is also significant and growing interest in collective switching, and we have been doing more work to facilitate developments in this area.⁸¹

⁸⁰ E.ON established a Code for TPIs selling to micro business customers, which they have stated they aim to be independent of E.ON.

⁸¹ We published an open letter regarding collective switching in April 2012. <http://www.ofgem.gov.uk/Markets/RetMkts/Compet/Documents1/collective%20switching%20open%20letter.pdf>

Collective switches to date have been driven by TPIs. We are also currently evaluating if there are any regulatory hurdles to community energy projects, which may also involve TPIs.

6.24. It is possible that considering each of these issues individually could lead us to different regulatory solutions than if we considered them together.

6.25. We also recognise that the role of TPIs in the market might expand and evolve as energy markets develop, including as a result of smart meter rollout and the developments of energy management services.

6.26. Because of all of this, Ofgem will be launching a wider review to deliver a regulatory framework that is fit-for-purpose in light of market developments and that supports consumer empowerment and protection.

Appendices

Index

Appendix	Name of Appendix	Page Number
1	Consultation Response and Questions	57
2	Summary of key concerns from stakeholders and how we have addressed them	60
3	Overview of non-domestic consumer research	62
4	Draft licence conditions	66
5	Glossary	76
6	Feedback Questionnaire	83

Supplementary appendices published separately (Ref.134a/12)

Appendix	Name of Appendix
1	The Retail Market Review – Draft Impact Assessment for the updated proposals for businesses

Appendix 1 – Consultation Response and Questions

1.1. Ofgem would like to hear the views of interested parties in relation to any of the issues set out in this document. In particular, we would like to hear from business consumers and business representatives, non-domestic energy suppliers and TPIs.

1.2. We would especially welcome responses to the specific questions which we have set out at the beginning of each chapter heading and which are replicated below.

1.3. Responses should be received by **21 December 2012** and should be sent to:

Louise van Rensburg
Retail Markets and Research
Ofgem
9 Millbank
London
SW1P 3GE
rmr@ofgem.gov.uk

1.4. Unless marked confidential, all responses will be published by placing them in Ofgem's library and on its website www.ofgem.gov.uk. Respondents may request that their response is kept confidential. Ofgem shall respect this request, subject to any obligations to disclose information, for example, under the Freedom of Information Act 2000 or the Environmental Information Regulations 2004.

1.5. Respondents who wish to have their responses remain confidential should clearly mark the document/s to that effect and include the reasons for confidentiality. It would be helpful if responses could be submitted both electronically and in writing. Respondents are asked to put any confidential material in the appendices to their responses.

1.6. Next steps: Having considered the responses to this consultation, Ofgem intends to move to final proposals and statutory licence consultation in spring 2013. Any questions on this document should, in the first instance, be directed to:

Louise van Rensburg
Retail Markets and Research
Ofgem
9 Millbank
London
SW1P 3GE
rmr@ofgem.gov.uk

CHAPTER 1: Introduction

Question 1: Do you agree with the envisaged implementation timetable set out in this chapter? If not, what factors do we need to take into account in setting this timetable?

CHAPTER 2: Market Overview

Question 2: Do you have any comments on our success criteria and the outcomes we expect to see?

CHAPTER 3: Protections for small businesses

Question 3: Do stakeholders agree with our proposal for a revised definition for the expansion of SLC 7A?

Question 4: Do stakeholders foresee any significant costs or difficulties to our revised definition?

Question 5: Do stakeholders agree with our proposal to mandate contract end dates on bills for consumers covered by SLC 7A? Are there significant cost implications?

Question 6: Do stakeholders agree the last termination date should be included alongside the end date on bills? Are there any significant cost implications?

Question 7: Do stakeholders agree with our proposal to require suppliers to allow small business customers to give notice to terminate their contract (as from the end of the fixed term period) from the beginning of their contract? What are the implications of this proposal, including cost implications?

Question 8: Do stakeholders consider that it would be to the benefit of customers to allow suppliers to terminate small business contracts, signed under the terms of SLC7A, in specific circumstances where a customer's energy usage significantly increased?

Question 9: Do stakeholders have views on the proposed amendments to SLC 7A set out in Appendix 4?

CHAPTER 4: Objections

Question 10: Do stakeholders agree that industry processes could be improved to alleviate current issues with the objections process?

Question 11: Do stakeholders agree that we do not need to make further changes to the licence conditions at this stage?

Question 12: Do stakeholders agree that we should collect and potentially publish information from industry sources rather than from suppliers?

CHAPTER 5: Standards of Conduct

Question 13: Do you agree with our proposed approach to tackle issues in the non-domestic market? If not, which alternative proposals do you prefer?

Question 14: Does the proposed approach to enforcement mitigate stakeholders concerns about the regulatory uncertainty and risk?

Question 15: Do you agree the proposed binding Standards should cover small businesses only?

Question 16: Do you agree with the assessment that the scope of the binding requirements should focus on the relevant activities of billing, contracting, and transferring customers (and matters covered by related existing licence conditions)?

Question 17: Do you have any information about potential costs and benefits of the roll out of the Standards of Conduct?

Question 18: Do stakeholders have views on the proposed New Standard Condition 7B set out in Appendix 4?

CHAPTER 6: Third Party Intermediaries

Question 19: Do stakeholders agree with the proposal for Ofgem to develop options for a single Code of Practice (the Code) for non-domestic TPis?

Question 20: Do stakeholder consider the Code should apply to all non-domestic TPis (including those serving small business and large businesses)?

Question 21: What do stakeholders consider should be the status of the Code, the framework in which it should sit, and who should be responsible for monitoring and enforcing the Code?

Question 22: Would you like to register your interest in attending the TPI working group?

Question 23: What issues should Ofgem consider in the wider review of the TPI market? What are the benefits and downsides to looking across both the domestic and non-domestic market?

Appendix 2 – Summary of key concerns raised by stakeholders and how we have addressed them

Proposal	Further research/analysis	Policy development
<u>Standards of Conduct</u>		
Views from new entrants that their customers already 'vote with their feet' and that SOC are unduly onerous for the non-domestic market.	Bolstered our information about the market and clearly mapped out issues. i.e. explored non-domestic sector market indicators, initiated more consumer research, evaluated contacts data, and issued an information request to suppliers.	Excluded large businesses from the proposed coverage of the SOC and considering a narrower scope of application, to support the more focussed nature of issues in this market.
Concerns that enforcement risks would impose great costs in the industry through over-compensating compliance. A clear view that a two stage – or more flexible – approach to enforcement would be needed.	Worked closely with Enforcement team to consider approach to enforcement.	Further development of clear enforcement approach - addresses a number of concerns raised.
Most respondents felt that clear guidance on our expectations and on enforcement were critical.	We will be engaging with suppliers via bi-lateral and SOC workshops to give suppliers a better feel for our policy intention.	We propose guidance that defines key terms in the SOC and an enforcement process that addresses key concerns over regulatory risk.
<u>SLC 7A Expansion</u>		
Concerns that expanded definition may cover multi sites and large businesses.	Met with suppliers and consumer groups to discuss concerns with definition. Information request to all suppliers in July 2012.	Proposed definition linked to energy consumption levels, whilst consulting on maintaining the current micro definition. Consumption thresholds set comparable to £10,000 per fuel.
Suppliers largely against reviewing rollovers, but consumer groups and third party intermediaries supported this.	Information request to all suppliers in July 2012. Further qualitative and quantitative research.	Mandate contract end dates on fixed terms for small businesses to improve information. Clarifying termination procedures. Will review rollovers after finalising small business definition.

Proposal	Further research/analysis	Policy development
<p>Expanded definition will not link to protections enshrined in legislation, which defines coverage of complaint handling standards and the Ombudsman.</p>	<p>Meetings with relevant stakeholders; Consumer Focus, Ombudsman, Citizens Advice, BIS etc. to discuss concerns and potential voluntary measures.</p>	<p>Legislation currently with BIS, and unlikely to be amended in near future. Are seeking voluntary expansion by relevant bodies in absence of legislative change.</p>
<p><u>Third Party Intermediaries</u></p>		
<p>Multiple codes would lead to confusion and ‘race to the bottom’. Consensus that Ofgem should accredit one code.</p>	<p>Initial discussions with other regulatory bodies around regulation of third parties. Monitored developments and views in market of multiple codes.</p>	<p>Will consult specifically on having one code and will explore the regulatory options around this approach further.</p>
<p>Instead of a marketing licence condition, suppliers would prefer a licence condition that requires them to only use accredited brokers.</p>		<p>Will consider this again when we review the support for and progress around a single code.</p>
<p><u>Objections</u></p>		
<p>Mixed view on whether Ofgem should publish objections data. Some respondents had concerns about the interpretation of this data.</p>	<p>We have had discussions with Xoserve (for gas) and electricity distribution companies about collecting data across the market, rather than from suppliers.</p>	<p>At the present time we will not be publishing objections data.</p>
<p>Issues raised around change of tenancy flags, repeated registrations and win-backs.</p>	<p>Discussions with suppliers. Analysed data on repeated registrations.</p>	<p>We encourage industry to resolve these issues, rather than specific regulatory intervention at this time.</p>

Appendix 3 – Overview of non-domestic consumer research

Summary

This annex presents an overview of the additional research and engagement carried out with non-domestic consumers since the November 2011 Retail Market Review non-domestic proposals were published. Focusing as it does on new research commissioned by Ofgem since that time, it does not aim to summarise the full evidence base upon which our proposals are based. Instead it provides a high-level overview of this new body of evidence primarily to assist the reader in navigating the three research reports which will be published alongside this document. Below we describe the scope, methodology and, where possible, an indication of the key findings from these reports. However please note it is not possible to present the important details which underpin the broad findings presented here. We therefore encourage readers to engage with the full reports to understand in detail the insight that has informed our analysis and proposal development for non-domestic consumers.

Research into non-domestic consumer engagement with the energy market

Quantitative Research into Non-domestic Customer Engagement and Experience of the Energy Market (Accent)

1.1 Ofgem commissioned Accent to conduct a quantitative survey with a representative sample of businesses in Great Britain. The key research objective was to provide insight into how business consumers are currently engaging in the energy market and their experiences in doing so. The research examined a range of attitudes and behaviours in relation to experience of and attitudes towards suppliers, current energy use, switching, bills and tariffs, understanding of energy contracts and monitoring of energy use. Fieldwork took place between 2nd and 16th February 2012. Interviews with micro, small and medium businesses were conducted by telephone using Computer Aided Telephone Interviewing (CATI). Interviews with large businesses were conducted online using a business panel. The CATI and online questionnaires were identical in content.

1.2. The research consisted of 1,200 interviews with a sample of businesses across England, Scotland and Wales. Quotas were set on the size of business to obtain a robust sample of each size category. These were as follows:

- 400 x micro businesses (with 1 to 9 employees)
- 400 x small businesses (with 10 to 49 employees)
- 200 x medium sized businesses (with 50 to 249 employees)
- 200 x large businesses (with 250 or more employees)

1.3. The sectoral spread of business fell out naturally from random sampling. The findings were weighted to be representative of the size and sectoral spread of private sector businesses in GB.

1.4. The findings show that just under a third of all respondents have never considered switching their supplier. This was mainly because they considered their current supplier's prices to be reasonable, whilst others believed that switching was disruptive or time consuming. Just under half of respondents have changed suppliers, largely because of lower prices offered by a new supplier. Around one in ten considered switching but was prevented from doing so, mainly because they found they were still under contract. Micro, small and medium business (referred to as SMEs throughout the report) have been less active switchers than large businesses. These SME businesses (particularly micro and small businesses) were less likely to have ever considered switching in comparison to large business.

1.5. SMEs appeared to be less able to make well informed switching decisions in comparison to larger business. They considered fewer alternative suppliers and were less likely than large businesses to compare prices. They were also less likely to review their energy bills when considering a switch. SMEs were also more likely to be dissatisfied with their overall switching experience. The key reasons for dissatisfaction related more to the processes involved in switching than to the cost of energy achieved. The key problems identified were the clarity and accuracy of information received and that switching was perceived to be a time consuming process.

1.6. Overall, businesses were reasonably satisfied with their suppliers. However, there were differences in satisfaction with various aspects of the service received. Respondents were least satisfied with value for money and suppliers' query resolution but were more satisfied with the overall quality of service provided.

1.7. A number of respondents across the entire sample were dissatisfied with the suppliers' billing practices. This included issues with bill accuracy, bill clarity and the usefulness of bill information. SMEs reported that they were more satisfied with bill accuracy than large businesses. There was, however, much evidence of businesses, particularly those at the smaller end, being less aware of their energy costs. This may affect their capacity to be able to judge billing accuracy, clarity and usefulness.

1.8. Approximately one quarter of all businesses surveyed had experienced billing errors with their current supplier. Errors were perceived to occur because there were too many estimated bills, particularly for electricity customers.

Research Findings on the Experiences of Non-Domestic Customers (Opinion Leader)

1.9. Ofgem commissioned Opinion Leader to undertake qualitative research to explore business consumers' experiences of engagement with the energy markets in depth. The main areas being explored in the research were:

- Whether businesses have **switched their supplier** in the past and their reasons for doing so; business consumers' experience of the switching process and what businesses look for when doing so.

- The amount and kind of **information** businesses receive, and whether businesses consider this to be sufficient.
- How important **customer service** is to business customers, and how this can affect their experience.
- What businesses make of their **contracts and tariffs**, and their experiences.
- What measures businesses are taking to monitor their **energy usage**, how active a role they take in the energy market and in their relationship with their supplier.

1.10. All fieldwork on this project took place during May 2012. A range of qualitative approaches were used during the research, including focus groups, face-to-face and telephone depth interviews. This enabled participation from a range of businesses and business sizes from across GB. Micro and small businesses' views were captured through focus group settings. Medium businesses were interviewed individually using a face to face method. Large and very large businesses were interviewed by phone, allowing coverage of a wider geographical area. In total, 67 business consumers were included in the research. All respondents were the person in their business with responsibility for choosing the energy provider, and all had responsibility for either paying or approving bills. Six of the twelve large / very large businesses and eight of the micro, small and medium businesses used a broker.

1.11. Businesses with higher levels of energy dependency⁸² tended to have a greater understanding of tariffs and were also more involved in monitoring their energy usage. However, even some of these 'more engaged' businesses, complained about a lack of transparency where tariffs and contracts were concerned. This had consequences for businesses' perceptions of energy suppliers (i.e. a suspicion that they were simply self-serving) and some said that this lack of transparency and complexity prevented them from being able to compare rates and switch supplier. Some businesses also experienced complications in the form of contract rollovers and poor service through incorrect bill charges.

1.12. Smaller businesses in particular showed lower levels of understanding of the energy market. The difficulties smaller businesses expressed with regard to shopping around and switching supplier, meant that there was a lower propensity for this group to consider switching.

1.13. Few businesses were actively involved in managing or monitoring their energy usage and there was an expectation that suppliers ought to provide more information about how businesses might modify their energy usage. More generally, there were calls for suppliers to offer more tailored, personalised support to businesses that recognised their circumstances and reduced the amount of time and resource they had to allocate to managing their energy supply. Along with this more personalised contact, there were calls for communications from suppliers to be simplified and made more transparent, particularly where contracts are concerned.

⁸² Energy dependency refers to the positioning of energy charges within the overall costs associated with the running of the business

Research into non-domestic energy supplier Standards of Conduct

Research into the proposed Standards of Conduct: Non-Domestic Consumers (Insight Exchange)

1.14. Insight Exchange conducted qualitative research among non-domestic consumers and third party intermediaries (TPI) to gauge reactions to the proposed Standards of Conduct (SOC). The fieldwork took place in September 2012, and comprised eight focus group discussions and 21 individual interviews with a range of business sizes.

1.15. The research included consumers from micro businesses through to very large organisations, a range of levels of energy consumption and levels of engagement with the market. TPI organisations of different business sizes were also interviewed. In total, 54 business consumers and ten TPI representatives were included in the research. Businesses were recruited purposively to ensure that the sample reflected a good cross-section of non-domestic energy consumers by size of organisation, level of energy spend, and business sector. The sample also included different types and sizes of TPIs, ranging from sole operators to national organisations.

1.16. Micro, small and medium-sized non-domestic consumers broadly welcomed the concept of an intervention to the way energy suppliers interact with them, whether in the form of SOC or otherwise. By contrast, there was little demand among large and very large businesses, whose complaints about supplier conduct were generally limited to annoyance about occasional issues with incorrect bills or readings.

1.17. The need for protection is most clear among micro businesses, where consumers most frequently reported bad experiences, and rarely had the time, resource or expertise to deal with situations that were affecting them. The research suggests that small businesses were also at risk for the same reasons, and that even medium-sized businesses regularly had negative experiences with suppliers and brokers. However, as business size increases, levels of frustration and anger decrease; medium-sized businesses often have an individual whose responsibility it is to address energy related issues. Therefore, issues with energy supply become more of a business problem to resolve than a serious problem that is directly affecting them and their ability to trade.

1.18. The proposed SOC were welcomed and would be supported by TPIs, but it was generally felt that they should apply to SMEs and not to large business consumers. Among TPIs, there was a clear desire for the SOC to be linked to specific touch-points in the consumer or broker experience and for the enforcement mechanism and penalties around them to be made clear.

Appendix 4 – Draft licence conditions

The purpose of this appendix is to provide stakeholders with an indication of how Ofgem envisages transposing the RMR non-domestic proposals into licence conditions. However, whilst we have sought to provide as comprehensive licence condition drafting as possible, the licence conditions are intended to be working drafts and, as such, we would welcome comments from stakeholders and will be considering appropriate methods of seeking further engagement. The table below provides a summary of each licence condition (in numerical order) that would be modified or inserted in respect of the RMR proposals.

Licence condition	Status	RMR proposals
7A	Amendments to existing definitions and new provisions added	Expanding protections for small business customers
7B	New Condition	Non-domestic standards of conduct

Amendments to SLC 7A

The proposed amendments to SLC 7A are shown below by underlined text for insertions and strikethrough text for deletions.

Condition 7A. Supply to ~~Micro~~ Small Business Consumers

Identification and treatment of ~~Micro~~ Small Business Consumers

7A.1 If the licensee intends to:

- (a) enter into a Non-Domestic Supply Contract with a Customer; or
- (b) extend the duration of a Non-Domestic Supply Contract (including the duration of any fixed term period which may form part of a Contract of an indefinite length)

the licensee must either take all reasonable steps to identify whether that Non-Domestic Customer is a ~~Micro~~ Small Business Consumer, or deem that Non-Domestic Customer to be a ~~Micro~~ Small Business Consumer.

7A.2 Where any Contract or Contract extension as described in paragraph 7A.1 is entered into with a Non-Domestic Customer that has been identified as, or deemed to be, a ~~Micro~~ Small Business Consumer, that Contract shall be a "~~Micro~~ Small Business Consumer Contract" for the purposes of this Condition.

7A.3 The licensee must not include a term in a ~~Micro~~ Small Business Consumer Contract which enables it to terminate the Contract or apply different terms and conditions to that Contract during a fixed term period on the grounds that the Customer no longer satisfies the definition of ~~Micro~~ Small Business Consumer.

Notification of ~~Micro~~ Small Business Consumer Contract terms and other information

7A.4 Before the licensee enters into a ~~Micro~~ Small Business Consumer Contract, it must take all reasonable steps to bring the following information to the attention of the ~~Micro~~ Small Business Consumer and ensure that the information is communicated in plain and intelligible language:

- (a) a statement to the effect that the licensee is seeking to enter into a legally binding Contract with the ~~Micro~~ Small Business Consumer; and
- (b) the Principal Terms of the proposed Contract.

7A.5 The licensee must ensure that all the express terms and conditions of a ~~Micro~~ Small Business Consumer Contract are:

- (a) set out in Writing; and
- (b) drafted in plain and intelligible language.

- 7A.6 Where the licensee enters into, or extends the duration of, a ~~Micro~~ Small Business Consumer Contract for a fixed term period, it must prepare a statement (hereafter referred to as a "Statement of Renewal Terms") which:
- (a) is set out in Writing;
 - (b) is drafted in plain and intelligible language;
 - (c) displays the following information in a prominent manner:
 - (i) the date the fixed term period is due to end, or if that date is not ascertainable the duration of the fixed term period;
 - (ii) the Relevant Date, or if not known at the time of providing the Statement of Renewal Terms, a description of how the Relevant Date will be calculated by reference to the end of the fixed term period;
 - (iii) a statement to the effect that the ~~Micro~~ Small Business Consumer may send a notification in Writing to the licensee at any time before the Relevant Date in order to prevent the licensee from extending the duration of the ~~Micro~~ Small Business Consumer Contract for a further fixed term period;
 - (iv) a postal and Electronic Communication address to which the Customer may send a notification in Writing for that purpose; and
 - (v) a statement explaining the consequences of the ~~Micro~~ Small Business Consumer not renewing the ~~Micro~~ Small Business Consumer Contract or agreeing a new Contract before the Relevant Date.
- 7A.7 Where the licensee enters into or extends the duration (including the duration of any fixed term period) of a ~~Micro~~ Small Business Consumer Contract, it must take all reasonable steps to provide the ~~Micro~~ Small Business Consumer with the following information within 10 days, or do so as soon as reasonably practicable thereafter:
- (a) a copy of all the express terms and conditions of the ~~Micro~~ Small Business Consumer Contract; and
 - (b) if the ~~Micro~~ Small Business Consumer Contract contains a fixed term period, the Statement of Renewal Terms.
- 7A.8 On or about 30 days before the Relevant Date, the licensee must provide the ~~Micro~~ Small Business Consumer with:
- (a) the Statement of Renewal Terms (unless the licensee has already prevented the ~~Micro~~ Small Business Consumer from extending the duration of the ~~Micro~~ Small Business Consumer Contract);
 - (b) a copy of any relevant Principal Terms that might apply to the ~~Micro~~ Small Business Consumer after the fixed term period of the ~~Micro~~ Small Business Consumer Contract ends, including:

- (i) terms that would apply in the event the Customer does nothing;
- (ii) terms that would apply if the Customer sends (or has already sent) a notification in Writing before the Relevant Date to prevent renewal of the ~~Micro~~ **Small** Business Consumer Contract but does not appoint another supplier.

7A.9 Where pursuant to paragraph 7A.8 the licensee is required to provide a ~~Micro~~ **Small** Business Consumer with any relevant Principal Terms, it must ensure that the Principal Terms are:

- (a) set out in Writing; and
- (b) drafted in plain and intelligible language.

7A.10 Where pursuant to paragraph 7A.8(b) the licensee provides a ~~Micro~~ **Small** Business Consumer with any offers of terms that relate to Charges for the Supply of Electricity, it must ensure that at least one offer is made in Writing which may be accepted at any time before the Relevant Date.

Information on Bills etc

7A.10A The licensee must provide the information specified in paragraph 10B on each Bill and statement of account and display that information in a prominent position and ensure that it is drafted in plain and intelligible language.

7A.10B The specified information is:

- (a) the date the fixed term period of a Non-Domestic Supply Contract is due to end;
- (b) the Relevant Date or, where applicable, such a later date as may be specified in the Non-Domestic Supply Contract;
- (c) a statement to the effect that the Small Business Consumer may send a notification in Writing to the licensee at any time before the Relevant Date (or, where applicable, such a later date as may be specified in the Non-Domestic Supply Contract) in order to prevent the licensee from extending the duration of the Small Business Consumer Contract for a further fixed term period and in order to terminate the Small Business Consumer Contract with effect from the end of any fixed term period which currently applies.

Length of notice periods in ~~Micro~~ **Small Business Consumer Contracts**

7A.11 The notice period for termination of a ~~Micro~~ **Small** Business Consumer Contract must be no longer than 90 days.

7A.12 Paragraph 7A.11 is without prejudice to the licensee's ability to enter into a ~~Micro~~ **Small** Business Consumer Contract with a Customer for a fixed term period which is longer than 90 days.

Termination of Small Business Consumer Contract for a period of indefinite length

7A.12A In relation to any Small Business Consumer Contract which is for a period of indefinite length, the licensee must ensure that the Small Business Consumer is entitled to give notice to terminate the Small Business Consumer Contract at any time.

Termination of Small Business Consumer Contract for a fixed term period

7A.12B In relation to any Small Business Consumer Contract which is for a fixed term period, the licensee must ensure that:

(a) a Small Business Consumer is entitled to give notice of termination before the Relevant Date (or, where applicable, such a later date as may be specified in the Non-Domestic Supply Contract) in order to terminate the Small Business Consumer Contract with effect from the end of that period; and

(b) if, at the end of any fixed term period, a Small Business Consumer is not subject to a further fixed term period, the Small Business Consumer is entitled to give notice to terminate the Small Business Consumer Contract at any time.

Extending the duration of Micro ~~Small~~ Business Consumer Contracts

7A.13 Where the licensee has entered into a Micro ~~Small~~ Business Consumer Contract for a fixed term period, it may only extend the duration of that Contract for a further fixed term period if:

- (a) it has complied with paragraphs 7A.7 and 7A.8;
- (b) the Micro ~~Small~~ Business Consumer has not sent the licensee a notification in Writing before the Relevant Date in order to prevent it from extending the duration of the Micro ~~Small~~ Business Consumer Contract for a further fixed term period and in order to terminate the Small Business Consumer Contract with effect from the end of any fixed term period which currently applies; and
- (c) the duration of the further fixed term period is 12 months or less.

Definitions for condition

7A.14 In this condition:

- | | |
|---------------------------|---|
| “Micro Business Consumer” | has the meaning given to “relevant consumer” (in respect of premises other than domestic premises) in article 2(1) of The Gas and Electricity Regulated Providers (Redress Scheme) Order 2008 (S.I. 2008/2268); |
| “Relevant Date” | means the date which is at least 30 days, and no longer than 90 days, before the |

date any fixed term period of a ~~Micro~~
Small Business Consumer Contract is due
to end-;

“Small Business Consumer”

means a Non-Domestic Customer:

(a) which is a Micro Business Consumer;
or

(b)

[Electricity only] which has an annual
consumption of not more than 100,000
kWh.

[Gas only] which has an annual
consumption of gas of not more than
293,000 kWh.

New Standard Condition 7B

Standard Condition 7B – Customer Objective and Standards of Conduct for non-domestic supply activities

Application of standard condition

7B.1 Standard condition 7B applies to all Designated Activities in respect of a Small Business Consumer.

Customer Objective

7B.2 The objective of this condition is for the licensee to ensure that each Small Business Consumer is treated fairly ('the Customer Objective').

7B.3 For the purposes of this condition, the licensee would not be regarded as treating a Small Business Consumer fairly if:

- (a) their actions or omissions significantly favour the interests of the licensee;
and
- (b) give rise to a likelihood of detriment to the Small Business Consumer.

Standards of Conduct

7B.4 The Standards of Conduct are that:

- (a) the licensee behaves and carries out any actions in a Fair, honest, transparent, appropriate and professional manner;
- (b) the licensee provides information (whether in Writing or orally) to each Small Business Consumer which:
 - (i) is complete, accurate and not misleading (in terms of the information provided or omitted);
 - (ii) is communicated (and, if provided in Writing, drafted) in plain and intelligible language;
 - (iii) relates to products or services which are appropriate to the Small Business Consumer to whom it is directed; and
 - (iv) is otherwise Fair both in terms of its content and in terms of how it is presented (with more important information being given appropriate prominence);

(c) the licensee:

- (i) makes it easy for a Small Business Consumer to contact the licensee,
- (ii) acts promptly to put things right when the licensee makes a mistake, and
- (iii) otherwise ensures that customer service arrangements and processes are fit for purpose and transparent.

Compliance with the Standards of Conduct

7B.5 The licensee must take all reasonable steps to achieve the Standards of Conduct and ensure that they are interpreted and applied in a manner consistent with the Customer Objective.

7B.6 In the event of a conflict between this condition and paragraph 2 of standard condition 14, this condition will prevail.

Exception to scope of condition

7B.7 Apart from any matters covered by the scope of standard condition 7, standard condition 7B does not apply in respect of the amount or amounts of any Charges for the Supply of [Gas/Electricity] which are determined by the licensee.

Provision and publication of information

7B.8 The licensee must prepare and update annually information (hereafter referred to as the "Treating Customers Fairly Statement") which:

- (a) is set out in Writing;
- (b) uses a heading which clearly highlights that the information relates to how the licensee is seeking to treat customers fairly; and
- (c) includes the following information:
 - (i) the main actions taken and being taken by the licensee in line with the Customer Objective and Standards of Conduct; and
 - (ii) the service and treatment Small Business Consumers can expect from the licensee.

7B.9 If the licensee or any Affiliate [Electricity/Gas] Licensee⁸³ has a Website, the licensee must publish the Treating Customers Fairly Statement on that Website in a position that is capable of easily being accessed by any person.

25B.10 If any person requests a copy of Treating Customers Fairly Statement, the licensee must provide a Written copy to that person free of charge as soon as reasonably practicable.

Definitions for condition

7B.11 For the purposes of this condition:

“Billing” all matters relating to the provision of a Bill or statement of account to a customer, including the content and calculations relating to such a document and the collection and use of information relating to the consumption of [gas/electricity].

“Contractual Information” includes the drafting and content of a Non-domestic Supply Contract or Deemed Contract and the provision of information relating to the Non-domestic Supply Contract or Deemed Contract that applies to a Small Business Consumer which is being supplied by the licensee.

“Customer Objective” is to be interpreted in accordance with paragraph 2.

“Customer Transfers” includes any matters that relate to a Customer’s ability to change supplier.

“Designated Activities” mean each of the following:

- (a) Billing;
- (b) any written or oral communications regarding Billing or Contractual Information;
- (c) Customer Transfers; and
- (d) any matters which fall within the scope of standard conditions 7, 7A, 14, 14A and 21B (in so far as they relate to a Small Business Consumer).

“Fair” and cognate expressions are to be interpreted in accordance with paragraph 3.

“Small Business Consumer” has the meaning given in standard condition 7A.

⁸³ We propose that this expression will be defined in Standard Condition 1 as “**Affiliate [Electricity/Gas] Licensee** means any Subsidiary, Holding Company, or Subsidiary of a Holding Company of the licensee which holds a [gas/electricity] supply licence granted or treated as granted pursuant to [section 6(1)(d) of the Electricity Act 1989 / section 7A(1) of the Gas Act 1986]”.

“Standards of Conduct” means one or more of sub-paragraphs 5(a) to (c).

“Treating Customers Fairly Statement” is to be interpreted in accordance with paragraph 8.

Appendix 5 – Glossary

A

Advanced Meter

A meter that, as defined in SLC 12, is capable of recording consumption at a high level of granularity, at least half-hourly for electricity and hourly for gas. advanced meters must also be able to provide suppliers with remote access to this data.

B

Business Protection from Misleading Marketing Regulations (BPMMR) powers

Statutory powers that prohibit businesses from advertising products in a way that misleads traders and set out conditions under which comparative advertising, to consumers and businesses, is permitted.

C

Citizens Advice

A free service to give information and advice to consumers about their energy concerns, as well as other problems.

Code of Practice

A set of guidelines and principles to be followed by members of some profession, trade, or group.

Collective switching

Switching consumers as a collective in order to negotiate a cheaper deal.

The Confidence Code

A voluntary code of practice for online domestic price comparison services.

Consumer Focus

Consumer Focus is the statutory consumer champion for England, Wales, Scotland and (for postal consumers) Northern Ireland formed by The Consumers, Estate Agents and Redress (CEAR) Act 2007.

D

Deemed rates

Rates applied by the existing supplier to consumers who have moved into a new property and have not actively agreed to a new supply of electricity or gas.

Department for Business Innovation and Skills (BIS)

A UK government department created in June 2009 by the merger of the Department for Innovation, Universities and Skills (DIUS) and the Department for Business Enterprise and Regulatory Reform (BERR). It is responsible for policy in areas such as business regulation and support, consumer affairs, trade, training, regional development and further and higher education, among others.

Distribution system

A local network that connects electricity/gas from the transmission system to end consumers at lower voltage/lower pressure.

E

Elexon

Elexon delivers the Balancing and Settlement Code. Their systems capture the contracted volumes from generators and suppliers so they can see what they said they would produce or consume.

F

Forum of Private Business

An organisation which campaigns for the interests of small and medium-sized businesses.

H

Half-hourly meter

Half hourly meters tend to be used by large commercial businesses with high electricity consumption. Customers with maximum demand in excess of 100kW are mandated to be metered every 30 minutes. Meter information is received automatically by suppliers.

I

Incumbent supplier

Before privatisation, the 14 electricity regions of England, Wales and Scotland each had a Public Electricity Supplier (PES) with a monopoly of electricity supply and distribution. Competition has been introduced in supply, so these 14 suppliers (consolidated into 5) are known as incumbent suppliers (or ex-PES). The 14 regions and their incumbent supplier are detailed below. For gas there is only one incumbent supplier, British Gas.

Region	Supplier Group
London	EDF Energy
Seeboard	
SWEB	
East Midlands	E.ON UK
Eastern	
Norweb	
Midlands	RWE npower
Northern	
Yorkshire	
Scottish Hydro	Scottish and Southern Energy
Southern	
Swalec	
Manweb	Scottish Power
Scottish Power	

Industrial and Commercial (I&C) customer

Refers to larger non-domestic consumers

Independent supplier

This will usually mean entrants to the energy supply sector, after the introduction of the competitive market, i.e. it excludes former incumbents.

K

kWh

Kilowatt-hour is a unit used to measure energy consumption in both electricity and gas.

M

Market concentration

A measure of the number of firms and their respective market shares within the market.

Market share

The proportion of total customers (usually proxied by the number of meter points) within a market that are registered to a particular supplier.

Master Registration Agreement (MRA)

Along with its supporting documentation, the MRA provides a governance mechanism to manage the processes established between electricity suppliers and distribution companies to enable electricity suppliers to transfer customers.

Micro business consumer

A business that;

- consumes not more than 55,000 kWh of electricity per year, **or**
- consumes not more than 200,000 kWh of gas per year, **or**
- employs fewer than 10 persons and whose annual turnover or balance sheet does not exceed €2m.

MWh

A megawatt hour. Equal to 1000 kWh.

N

New entrant

An entrant that does not have an incumbent customer base.

Non-domestic consumer

A customer that uses energy wholly or mainly for commercial purposes.

Non-domestic energy supplier

A supplier that only supplies the non-domestic market.

O

Objection

A consumer's current supplier can object to and block the transfer of supply of electricity or gas to another supplier under certain circumstances specified in the contract. These will typically be if the consumer is still in contract, or is in debt.

Ombudsman Services: Energy

An independent service that resolves disputes between consumers and energy suppliers.

Out of contract prices

Rates applied to consumers who have not agreed a pricing arrangement or their pricing arrangement has expired or been terminated.

P

Profile Class

Where half-hourly metering is not installed, profile classes are used to provide an electricity supplier with an expectation as to how electricity will be consumed through the day. Domestic customers are class 1 and 2. Non-domestic consumers are classes 3-8.

R

Rollover

An energy contract that automatically renews at the end of the contract period.

S

Self regulation

Industry regulation without binding licence conditions.

Small and medium size enterprises (SMEs)

The EU Commission defines as enterprises which employ fewer than 250 persons and annual turnover not exceeding €50m and/or an annual balance sheet total not exceeding €43m.

Smart meter

A generic term for innovative forms of metering that provides increased levels of functionality above that of a basic meter. It usually includes at a minimum the ability to read the meter remotely via a communication channel.

Standard licence condition (SLC)

The legally binding conditions that gas and electricity suppliers must meet to supply to domestic and non-domestic customers, in accordance with the Gas Act (1986) and Electricity Act (1989).

Standards of Conduct (SOC)

A written policy and procedure that outlines wide standards of integrity and business ethics.

Switching

The process of changing gas or electricity supplier, or changing to a new tariff with the same supplier.

T

Termination procedure

The process of ending an energy supply contract.

Transmission system

The system that transfers electricity/gas at high voltage/pressure around the UK before distribution to end consumers. For electricity this will be the overhead lines, underground cable and substations. For gas this is the high pressure pipes and compressor stations.

U

The Utilities Intermediaries Association

A Trade Association for Third Party Intermediaries.



X

[Xoserve](#)

Xoserve delivers transportation transactional services on behalf of all the major gas network transportation companies. Xoserve is jointly owned by the five major gas distribution network companies and National Grid's gas transmission business.

Appendix 6 – Feedback Questionnaire

1.1. Ofgem considers that consultation is at the heart of good policy development. We are keen to consider any comments or complaints about the manner in which this consultation has been conducted. In any case we would be keen to get your answers to the following questions:

1. Do you have any comments about the overall process, which was adopted for this consultation?
2. Do you have any comments about the overall tone and content of the report?
3. Was the report easy to read and understand, could it have been better written?
4. To what extent did the report's conclusions provide a balanced view?
5. To what extent did the report make reasoned recommendations for improvement?
6. Please add any further comments?

1.2. Please send your comments to:

Andrew MacFaul
Consultation Co-ordinator
Ofgem
9 Millbank
London
SW1P 3GE
andrew.macfaul@ofgem.gov.uk