



Ensuring a better deal for energy consumers
Department of Energy & Climate Change
1st Floor Area D
3 Whitehall Place
London SW1A 2AW

December 2012

Dear Sir,

RE: The Retail Market Review – updated proposals for businesses

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

The FSB is the UK's leading business organisation. It exists to protect and promote the interests of the self-employed and all those who run their own business. The FSB is non-party political, and with 215,000 members, it is also the largest organisation representing micro and medium sized businesses in the UK.

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

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

Yours sincerely,

David Caro

Chairman of the Environment Policy Unit

Federation of Micro Businesses



Federation of Small Businesses
The UK's Leading Business Organisation



**FSB response to
The Retail
Market Review –
updated
proposals for
businesses**

**December
2012**



Small businesses and the energy market

The FSB has for some time campaigned for recognition of the special position of micro businesses in the energy market.

Micro businesses behave in a similar way to domestic energy users, in terms of lack of expertise and levels of energy consumption; but do not enjoy the regulatory safeguards that domestic users receive. Many micro businesses lack the expertise to negotiate contracts and are penalised by energy suppliers because of their limited purchasing power, relatively low energy consumption and unpredictability of their demand.

Difficulty in switching suppliers, getting locked into uncompetitive rollover contracts, and finding it hard to compare tariffs limit all serve to further undermine the position of micro firms in the energy markets.

A survey of our membership found that:

- 81% of members listed the rising cost of energy as a concern
- 18% expressed concern about limited knowledge and understanding of contracts
- 15% expressed concern about inaccurate billing.

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

Extending protections

The FSB therefore supports the proposals to increase the number of small firms who are afforded an increased level of consumer protection.

We believe that expertise and knowledge of the energy market are roughly correlated to consumption levels and we therefore support the proposed new definition that extends consumer regulatory protections to small firms who spend up to £10,000 per year as opposed to the current 0-9 employee definition.

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

Question 6: Do stakeholders agree the last termination date should be included alongside the end date of bills?

Contract end dates and termination window end dates

The FSB supports proposals to require suppliers to provide contract end dates on the bills of small businesses and the date by which they need to send in a termination notice.

Investment in our ageing energy infrastructure will inevitably mean energy price increases for small firms over the coming decade and it is essential that downstream consumer safeguards are as strong as possible to ensure small businesses can access a competitive marketplace.



We continue to believe that too many small firms are entering into legally binding contracts over the phone without a full appreciation of what they are getting into. We believe it should not be possible to enter into a contract without formal written confirmation from the small business owner.

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

Making it easier to switch supplier

We welcome Ofgem's focus on the customer transfers; the ability of customers to switch with ease is a vital foundation for a competitive market. We therefore support the investigation of uncompetitive practices and urge the strongest possible action against those suppliers who are deliberately making transfers difficult.

Whilst we welcome the decrease in the level of objections reported we still believe fifty per cent is still far too high and we believe encouraging industry resolution of the objection problem does not go far enough and we would like to see changes to license conditions in order to bring the level of objections down to an acceptable level.

In relation to allowing small business to give notice to terminate their contract at the beginning of their contract (i.e. ask for the contract not to be renewed once it has expired), we believe this will only be of limited value to small businesses. Giving notice they want the contract terminated at the beginning of their contract will simply mean they are automatically put on deemed rates at the end of the contract as well possibly meaning firms protected under SC7a are seen as a higher cost risk due to their ability to give notice to terminate the contract at anytime.

We believe our proposal to end automatic contract rollovers would give greater certainty to the level of consumer protection afforded to small businesses.

Third Party Intermediaries

Question 1: Do stakeholders agree with the proposal for Ofgem to develop options for a single Code of Practice (the Code) for non-domestic TPIs?

Micro firms are becoming heavily dependent on Third Party Intermediaries to gain access to the most competitive energy tariffs.

Whilst we welcome the role Third Party Intermediaries (TPIs) play in increasing competition in the energy markets we believe micro firms should be able to access a competitive market place and not have to rely on TPIs to get the best deal.

TPIs should not be seen as a reflection of the difficulty micro firms have in interacting in the energy markets rather than a good thing in themselves.



We have heard from members of many cases of poor practice by TPIs and we believe it is essential that a single regulatory code is introduced as a priority.

Other issues

Automatic contract rollovers

One of the biggest problems experienced by FSB members is the rolling over of contracts from one year to the next – 79% of members surveyed supported the abolition of contract rollovers. Micro business consumers are often unaware of their contract terms governing change of supplier and contract roll-over, and that this is being used by suppliers to lock in their micro business customers. This is harmful to the consumer and makes new entry to this market more difficult.

We believe one of the quickest ways of delivering a fairer energy market for micro businesses is to end the practice of automatic contract rollovers for micro businesses.

Whilst we are disappointed not to have seen action taken on this we understand that Ofgem is currently looking into the issue and we expect the practice of automatically rolling over small business contracts from one year to the next ended once and for all.

We believe this should be a key priority for Ofgem in relation to their ongoing RMR work in 2013.

Back billing

We note that the issue of back billing has not addressed in the current proposals. We appreciate there seems to have been some movement by the energy suppliers in addressing unfair back billing practices but we would like to see a uniform one year back billing limit introduced to ensure best practice.