

Research into the proposed Standards of Conduct: Non-Domestic Consumers

Full report

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1. Management Summary

Insight Exchange conducted qualitative research among non-domestic consumers and Third Party Intermediaries (TPIs) to gauge reactions to the proposed Standards of Conduct (SoC). The fieldwork took place in September 2012, and comprised 8 focus group discussions and 21 individual interviews in Swansea, Edinburgh and Birmingham.

The research included all sizes of consumers from micro through to very large organisations, a full range of levels of consumption and engagement with energy, and a range of sizes of TPI. 54 consumers were involved in the work, and 10 TPIs.

We wanted to understand the extent to which views on the SoC differed across different kinds of non-domestic organisations. It became clear that consumer perspectives do not sit neatly in segments, and that there is a great deal overlap between the attitudes of micro and small consumers, for example, or small and medium. Equally, we found that, outside of the large business market, attitudes to suppliers and the perceived need for protection relate more closely to business sophistication and outlook than to energy spend. The concept of engagement (based on level of recent contact with supplier or broker) was not a clear indicator of attitude or understanding. By contrast, size and maturity of business emerged as the crucial factor in dictating an organisation's ability to manage supplier relationships effectively: we heard how, over time, organisations tend to develop an understanding of how best to deal with energy contracts and interact with suppliers.

We believe that there are marked patterns in the market in terms of a) the need for protection and b) the extent to which SoC would be welcomed. To summarise:

- Large and very large consumers had positive, business-like relationships with energy suppliers, and therefore did not see the SoC as necessary for them. However, they could see how they might benefit smaller organisations;
- Medium-size consumers had generally developed a functional but stable relationship with suppliers, having often had bad experiences in the past from which they had learned. They welcomed the spirit of the SoC, but were more interested in targeted intervention in specific areas;
- Small consumers often had poor experiences with suppliers, and felt insufficiently protected in their dealings with them. They therefore welcomed the SoC, especially if they served to increase levels of transparency and quality of communication;
- Micro consumers also had poor experiences on a regular basis, and sometimes felt exploited by suppliers or brokers. They were often very confused by their dealings with energy suppliers, and felt that SoC, with the right content, were a positive and necessary step.

TPI reactions tended to mirror those of consumers. At the larger end of the market, TPIs were able to establish good relationships with suppliers based on the size of the business they bring. At the smaller end, however, TPIs increasingly felt ‘pushed out’ by suppliers, and complained about unresponsive and unreliable service levels and the increasing requirement to operate through aggregators, all of which made it hard for them to operate effectively on behalf of their customers. A number of TPIs felt that the SoC should also cover brokers and consultants, partly in response to the ‘cowboy operators’ in the market, and partly to support them in their interactions with suppliers.

Although the SoC were broadly welcomed across micro-to medium sized businesses and TPIs, it is worth emphasising that consumers and TPIs are interested in the *outcome* of intervention more than the mechanism itself. That is to say, they want to see improvements in the way energy suppliers interact with them, and it is the prospect of that that they welcome, rather than the SoC *per se*. In particular, they want to see changes around end-of-contract notification, notice period and out-of-contract pricing. For many consumers, although the SoC are welcome, they are too general, and although they are felt to have the right intentions, are insufficiently granular or specific to bring about the desired change in these areas.

The key concepts in the SoC for consumers are ‘fair’, ‘honest’ and ‘transparent’. In the absence of detail around specific touchpoints, they felt that the other aspects of the SoC were variations on the same themes, and that Standard A¹ acted as a summary standard that encompassed everything else.

For micro and small consumers and among smaller TPIs, there was a strong desire to see suppliers brought to account for what is perceived as dishonest behaviour. For them, any communication of the SoC needed to be contextualised by an idea of how they will be implemented and the penalties for failure to comply.

The research established that micro-, small- and medium-sized businesses believe that energy suppliers do not play by the rules of business. That is to say, they perceive that suppliers:

- do not value their custom – based on the view that they do not offer a level of service that suggests they are interested in keeping it;
- communicate in a way that is deliberately misleading and that seeks to trick consumers into paying more;
- through unjustified price increases and lack of investment in customer service, exploit the fact that businesses are dependent on energy.

This behaviour is felt to be so out of step with smaller consumers’ own behaviour towards their customers that it is hard for them to relate to. Given the difficulties many businesses are currently experiencing in terms of sales, retention and cost

¹ See Appendix 3 for detail of Standards

management, there is a great deal of anger about suppliers' behaviour. Micro and small businesses in particular feel that, because of their size and influence, suppliers have a responsibility to get the economy moving. Consumers believe that in their own businesses they are working harder than ever to make this happen, and that suppliers are not playing their part. This feeling creates a strong sense of injustice, which underpins their reactions to the SoC and the changes consumers want to see.

Our research demonstrates that there is a clear appetite for change in the micro business market, and in some or all of the small business market. However, the qualitative nature of this research makes it unwise to identify specific sizes of businesses among which SoC might be most appropriate.

2. Background

Building on the 2008 Energy Supply Probe, in 2010 Ofgem announced the Retail Market Review, an investigation into the gas and electricity markets in Great Britain. In March 2011, Ofgem presented the findings of the Review, which concluded that further action is needed to make the retail energy market work more effectively in the interests of consumers. This was followed by proposals to implement a range of reforms² for consumers that were published for consultation in November 2011.

In line with Ofgem's initial and partial move towards a principles-based approach to regulation adopted during the 2008 Energy Supply Probe, the November 2011 proposals included a proposal to introduce Standards of Conduct (SoC) as legally binding licence conditions covering all supply licence conditions and all interactions between consumers (both Domestic and Non-Domestic) and suppliers. The objective is to produce a set of cross-cutting principles with which energy companies must comply, thereby improving consumer-supplier interactions and helping the market work more effectively.

Insight Exchange worked with Ofgem to test draft SoC for domestic consumers earlier in 2012. In August 2012, Insight Exchange was commissioned to conduct a similar piece of research among the non-domestic market.

Some voluntary Standards of Conduct already exist in part of the non-domestic market, having been introduced for small business consumers as part of the Energy Supply Probe. Despite the existence of these standards, business consumers have continued to report poor experiences. Ofgem therefore wanted to understand if non-domestic consumers felt they would benefit from revised and strengthened SoC aimed specifically at them. Specifically, Ofgem wanted to use this research to explore potential ways in which business consumers can understand and be made aware of the SOC to help empower them and encourage informed engagement in the energy market.

Ofgem developed draft SoC (see Appendix 3) using the existing voluntary standards as a foundation, in conjunction with previous business consumer research, interactions with key stakeholders (such as suppliers and intermediaries) and its own insight into the market (for example, obtained through dealing with customers/ complaints and enforcement cases).

Objectives of the research

The objectives of the research were as follows.

² Proposals for the Retail Market Review and accompanying research is available at: <http://www.ofgem.gov.uk/Markets/RetMkts/rmr/Pages/rmr.aspx>

- i) To gather spontaneous views on business consumers' expectations of supplier conduct and standards of service, including previous experiences and desired changes
- ii) To consider if Ofgem's proposed SoC fill any perceived gaps in business consumer expectations of supplier conduct including standards of service, with a view to identifying improvements and shaping any future drafts, where appropriate
- iii) To begin to explore business consumers' views on what implementation of the SoC would look like in real terms to build trust; and to explore how business consumers would like to see them packaged up
- iv) To explore the potential role of Third Party Intermediaries (TPIs) and brokers (i.e. companies that manage the contract and supply for a fee on behalf of a business customer) in facilitating the application of SoC.

Methodology

Businesses

In keeping with the exploratory nature of the research and the discussion and probing required, Insight Exchange conducted in-depth qualitative interviews and focus groups with a wide range of non-domestic energy customers in Scotland, England and Wales. The depth interviews were carried out mostly with the larger businesses and group discussions with those at the smaller end. This split reflected the availability and preferences of the different sizes of businesses and allowed us to include a wide range of businesses. The group discussions took place in Birmingham, Edinburgh and Swansea between 3rd and 12th September 2012.

Businesses were recruited using purposive sampling to ensure that the sample reflected a good cross-section of non-domestic energy customers by size of organisation, level of energy spend, and business sector. This included ensuring that we recruited some businesses that are relatively intensive users of gas, using it for purposes other than heating and hot water. We did not quota for half hourly meter customers but let this fall out naturally. As expected, the majority of micro and small businesses were not on half hourly meters but most, although not all, of the larger businesses were.

Ofgem's previous research has shown that many micro businesses have low levels of engagement with their energy supplier. To ensure we captured the experiences and views of both this group as well as those with higher levels of engagement, we spilt our sample of micro businesses between those who were 'engaged' and those who are 'disengaged'. We defined 'engaged' as being those who have either contacted their energy supplier and/or looked around at other deals during the last twelve months.

The person recruited for the research was the individual within the organisation with the responsibility for managing the energy spend and looking around for a new deal or renewing the contract, either directly or through a TPI. At the smaller end, this tended to be the proprietor or Managing Director, whereas in larger companies it was generally the office manager or facilities manager.

The respondent profile was as set out below (a more detailed breakdown of the sample is given in Appendix 4).

Size of business	Respondents
Micro (1-9)	23
Small (10-49)	12
Medium (50-249)	8
Large & v large (250+)	11

Sector	Respondents
Construction	1
Education	5
Health and Social care work	5
Hotels and restaurants	9
Manufacturing	6
Professional, scientific and technical services	11
Real estate, renting and business	5
Transport, storage and communication	3
Wholesale and retail trade; repairs	9

Third Party Intermediaries (TPIs)

We also carried ten telephone interviews with TPIs. A sample list of TPIs was provided by Ofgem, based on those who had been in contact with Ofgem at some point. Insight Exchange selected organisations at random from this list. Our sample also included different types and sizes of TPIs, ranging from sole operators to national organisations.

3. Implications of the Wider Business Context

We began discussions by exploring the broader issues consumers were facing in their businesses, in order to understand how their views on energy suppliers and the SoC were conditioned by the wider business context.

Unsurprisingly, the dominant narrative in these early discussions was the difficulty of trading or operating during a recession. Large and small organisations in the private and public sectors are experiencing difficult conditions in their own ways. For the smallest businesses, this is about the struggle to stay afloat by managing costs and securing customers in an increasingly competitive market. At the larger end, the problems are simply on a bigger, and often international scale, and are dealt with through professional procurement and rigorous cost and supplier management processes. Businesses spoke more about 'stagnation' and 'flat-lining' than recession; it is not that they feel the economy is going backwards, rather, that they feel stuck in a rut with no clear prospect of movement, and with supply chains caught in a cycle of destructive behaviour:

"I think it's a domino effect, isn't it really? Everybody wants something for nothing... it is quite common that everybody wants just that little bit knocked off"

[Birmingham, Micro]

In the public sector, cuts in funding, reduced numbers of grants and staff reductions mean that employees feel stretched in trying to deliver quality. In the private sector, businesses are increasingly finding themselves undercut by competitors and new market entrants. Most organisations felt that they were being 'squeezed from both sides', with suppliers putting up prices, and customers driving a harder bargain. The pressure to look for cost-savings is universal, and in the smallest businesses this takes the form of household-style budgeting; in the largest businesses, it is the provenance of procurement departments. The perception of reduced flexibility of lending from banks has reduced people's options even further.

The outlook was not, however, wholly gloomy. A number of businesses reported recent successes and there were a significant number of more confident organisations believing that 'the good will out'. The competitive dynamics that people described are not *fundamentally* different to business-as-usual; what is clear is that the recession has sharpened focus and greatly increased the pressure on businesses and upped the focus on the quality, nature and cost of interactions with suppliers of all kinds. This focus has direct implications for non-domestic customers' dealings with energy suppliers, expectations of what constitutes fair behaviour and good customer service.

Energy suppliers were mentioned spontaneously in nearly all discussions among smaller businesses, along with telecoms and water supply. Energy was identified universally as a key source of pressure on businesses, but especially at the smaller

end of the market. Although consumers realised that their interaction with energy suppliers was the ultimate purpose of the discussions (and there was therefore likely to some kind of research effect), the extent to which they were keen to discuss suppliers, the depth of feeling about them, and the breadth of personal experiences and perspectives demonstrated that this topic was front-of-mind for many.

Larger consumers had more empathy with the challenges faced by suppliers in running large, complex organisations and seeking to offer good service to millions of individual consumers. Smaller consumers characterised suppliers as passing on wholesale price increases but not price reductions, and in doing this, as acting irresponsibly and suppressing economic recovery:

“We can’t go the big boys like Supplier X and Supplier Y and say, you know what? Can you sharpen the pencils? But we have to, you have to do it to keep people happy”

[Swansea, small]

Suppliers were widely felt to be ‘part of the problem’ with regard to the recession, and have a high profile in this context: just as domestic consumers point out that energy is an essential for survival, organisations argue that they cannot operate without it, and that suppliers exploit their position of power. Consumers feel they have limited opportunities to reduce consumption, especially where energy is a central part of their business, for example in catering, hospitality or manufacturing.

For smaller businesses in particular, these dynamics, combined with experiences of poor customer service and perceptions of inflexibility around payment terms and contract renewal, create a deep belief that suppliers are not on the same side as them:

“These companies are... either shafting us or they’re not telling us the truth on how the system works... I took a better price to them, I said I want to stay with you... I like the company, I’m happy enough.... they’re ‘no, I’m sorry, we’re not interested’. I don’t understand that, it just seems bad business to me, to upset your customers”

[Edinburgh, micro]

The terms ‘cartel’ and ‘monopoly’ were regularly used to describe suppliers. The conviction that *suppliers do not play by the normal rules of business* – which is present right up through medium-sized businesses – conditions all discussions about energy supply, and many smaller consumers commented that they found it difficult to consider a future where suppliers behaved in accordance with SoC.

4. Interacting with suppliers and TPIs

Operational segments in the non-domestic market

The research demonstrated that distinctions between the culture, operating practices and outlook of micro and small businesses, small and medium businesses, and medium and large businesses are blurred. This blurring was evident in the way they were set up to deal with suppliers, but also more broadly in their approach to doing business and the processes they had in place around procurement and payment terms. The research also showed that qualitative factors such as outlook, sophistication and 'business savvy' are important elements that dictate a businesses' capability to look after itself and to make an informed choice about suppliers.

Despite these qualitative factors, however, the research suggests that business size is the most important objective variable. Our research demonstrated that, at the largest end of the market, there is a clear understanding of how the energy market works, and how best to interact with suppliers to ensure good service and the best deal possible. Here, there is the smallest amount of antipathy towards suppliers, and relationships – which are often through a broker – are generally solid and built on a good understanding of the terms of supply and payment. The opposite is true at the micro and small end of the market, where businesses tend to be newer or lack resource that can be dedicated towards dealing with suppliers. As might be expected, the negative experiences that consumers had were focused at the smaller end of the market but extended as far as medium-sized businesses.

Based on the research, we believe that non-domestic consumers' interaction with and experiences of the energy market puts them into two broad groups:

- Micro, small and medium (referred to hereafter in this report as 'smaller businesses')
- Large and very large (referred to as 'larger businesses').

In part, this grouping is due to how long businesses have been established, what lessons they have learned about dealing with suppliers in general (negotiating credit terms, agreeing a billing cycle), and how likely they are to use a broker. It also – in the eyes of consumers – relates to how much suppliers value their business and the kind of service they receive.

Smaller business consumers identified serious problems in interacting with energy suppliers and / or TPIs. It became clear that, for many, the discussions were a welcome opportunity to share experiences and to express their deep frustration and even anger with the energy market. Consumers identified a number of substantial problems, which generally stemmed from the issue of new contracts or contract renewal, and which meant that businesses needed to be vigilant in their dealings with suppliers. These are problems against which consumers judge the likely impact of the SoC, and are set out below.

Perceived quality of current interactions

The research was structured to achieve a range of sector, size, consumption and a broad indication of engagement with energy supply, based on the degree of recent consideration of tariffs or supplier.

As a lead-in to giving their perspectives on the SoC for energy suppliers, consumers described their experience of all kinds of suppliers, including other utilities and telecoms as well as trade suppliers, for example, fuel or professional services. Small and micro businesses contrasted their confidence in dealing with trade suppliers and the relationships they had been able to build to their dealings with large supplier companies:

"It's like anywhere in business, you build up a relationship with your suppliers and your customers, except for things like gas and electricity and fuel. It's one of the few things. You have no relationship. We buy tons and tons of metals, but you have a relationship with your suppliers"

[Birmingham, small]

For many smaller consumers, there was a marked absence of *"the human touch"* in their dealings with bigger suppliers, who are frequently characterised as 'faceless' or 'giant corporations'. Consumers at the smaller end of the market saw relationships as a key part of building and doing business. By that, they meant the ability to have a professional discussion with someone who understood their business, who they viewed as a peer or expert, and who took more than a one-size-fits-all approach to dealing with them. For those who used them, brokers filled this gap, getting to know their business, understanding their needs, and negotiating on their behalf. The lack of relationships with energy suppliers was a central theme throughout the research among micro, small, and some medium customers; the absence of human relationships to give context or to explain meant that negative interactions were seen starkly and are accentuated. In many cases, poor experiences – and the lack of a relationship context in which to address issues – were felt to be due to the size of the supplier companies in question rather than the sector:

"It's just because they're these massive companies... in our trade we always say the customer's key, but in their trade... it doesn't seem to matter until you say you're going. Up to that point, you're just a number"

[Swansea, medium]

"Well, I feel that the big companies, whether it be phone companies, any of these people... they've all got a very similar sort of structure whereby you're not really talking to the same person, so there's no relationship, so there's no real understanding of who you are. When you phone up... they just put you up on the

screen and they see how much money you spend... but there's no understanding of your business"

[Edinburgh, medium]

This kind of attitude was not ubiquitous, and it should be noted that there were several good experiences with interactions that worked well. However, negative perceptions and experiences were widespread, with large energy suppliers – along with telecoms companies - frequently criticised heavily in this context. Telecom companies were criticised for complex tariffs, billing and customer service. Comments about energy companies – which are addressed in more detail below – echoed the same points but tended to focus more on specific issues around contract renewal.

Where brokers were used (predominantly, but not exclusively, among the biggest medium, large and very large consumers), or where consumers had an account manager, that there was not the same issue about developing a relationship with suppliers. Some medium-sized companies felt that they had established a rapport with their account manager – but that much depended on the quality of the individual, their ability to get results, and how long they remained in their role.

Key issues faced by non-domestic consumers

Consumers' issues are focused on two key areas: signing up to a new contract, and communication of contract renewal.

Signing up to a new contract

At the smaller end of the market – and particularly for micro - many businesses had had negative experiences of signing up to a contract that they did not fully understand. In some cases, this had led to consumers being tied into contracts that they simply could not afford and that were putting a burden on the business that was unsustainable:

"I've called them countless times to ask for a bit of help and they just went, listen... you signed a contract now, so you're stuck with us. They won't do anything to help me. I've had countless people come out to my property, threatening to disconnect my electricity"

[Birmingham, micro]

Consumers generally felt that they had learned how to deal with suppliers through negative experiences. Several consumers talked about the problems they had had when starting out in business, or when first looking at contracts, with suppliers or brokers taking advantage of their naivety:

"When you first open a business, it seems to be that electric suppliers, gas suppliers, they jump on you, they want to get your contract, don't they? So I signed up with the first one that I came across, it seemed like pretty good rates and everything"

[Swansea, micro]

Outside of larger businesses, consumers frequently identified brokers as a serious problem, pointing to a series of unscrupulous behaviours that they felt were being practised:

- pretending – or allowing consumers to believe – that they represent a particular supplier;
- pressurising consumers into one-day-only deals;
- talking quickly and deliberately trying to confuse;
- contacting a supplier on a consumer's behalf without permission;
- responding to disputes by presenting incomplete recordings of conversations.

Many consumers had excellent experiences with trusted consultants or brokers with whom they had worked for years, but it was widely felt that a small number of operators were damaging the reputation of TPIs. These brokers were thought to be the ones who practised the most cold-calling, and whose possession of out-of-contract information about consumers was unwelcome. They are felt to be damaging the industry as a whole and its ability to interact with consumers, particularly on a sales or renewal basis:

"As soon as you hear energy suppliers, you feel 'con'. I switch off automatically, I think 'con'. I hear energy suppliers and I think they're conning me; they're trying to con me. There's something in the small print"

[Birmingham, micro]

"From my own experience, if any company phones up to say they'll give you cheaper electricity, but could you just tell us who your supplier is... the answer I'll give them is no. They get very irate at that. We only want to know who your supplier is, and I just say, I don't want to give them that information... I really think there should be some kind of control... I work with Supplier X is not the same as working for Supplier X"

[Edinburgh, micro]

Renewing or changing an existing contract

Contracts were by far the biggest issue for consumers at the smaller end of the market – and importantly, even if it was not a current problem, had at some point created difficulties for even the biggest medium-sized consumers.

There are three parts of the renewal process where consumers identify problems:

- suppliers presenting complex information about tariffs that is difficult to understand (linked to the perceived difficulty of comparing tariffs in this market and the need for greater comparability);
- automatic contract roll-over that is poorly communicated (or, it is perceived, not communicated at all) leading to high out-of-contract rates;
- unsuitable or inconsistent notice periods.

Outside of the large business market, the roll-over model used by suppliers (which was often compared by consumers to the domestic insurance market) was perceived by all consumers to be deeply unfair. It was widely felt that, in a business context where there was a stronger chance of letters being mis-directed, there was a clear need for a more active model of sign-up. Even for larger consumers who were experienced in dealing with suppliers, there was a feeling of inflexibility if they wanted to change a contract, for example multi-site businesses struggling to align contracts with the same supplier.

The changes consumers want to see

At the larger end of the market, there was no clear desire for change. Although there were the expected comments about price, it was clear that service levels are not a serious issue for these businesses, and that they feel suppliers value their custom and offer them a service level accordingly. Where there were queries, consumers were able to get them addressed relatively quickly, either directly or through their brokers.

Where businesses dealt direct with suppliers, they generally felt that the person they spoke to was adequately informed about their business. Problems could occur when their named contact person was away; in this case, what was most important was that any replacement was able to take ownership of their issue.

A few larger consumers thought improvements could be made around communication of contract renewal, and to the clarity and comprehensiveness of billing. In the latter case, they wanted to be absolutely clear what proportion of their bills related to taxes, and which taxes were included. These were not major concerns and businesses did not have big problems in these areas (although some had in the past); it was more that they felt the process was unnecessarily opaque.

However, at the smaller end of the market, consumers felt that suppliers did not genuinely value their business, made very little effort to retain them, and that the contract-based nature of their agreements provided little incentive for them to do so. As described in Section 3, consumers contrasted this situation with their own businesses (especially in difficult times) and with suppliers who really wanted and valued their business, and who behaved accordingly. They did not feel they were asking for anything difficult; rather, they were looking for consistency and effectiveness:

"You want them to just deal with things straight away and don't make a song and dance about it... you don't want all these other people ringing you up and not knowing what the other one's doing... just get it done"

[Swansea, micro]

Greater Transparency

Transparency was the key concept for smaller consumers, and was mentioned spontaneously in all discussions. The perceived absence of transparency was raised in two main ways: the clarity and timing of information presented by suppliers, and the conversations businesses were able to have with them around tariffs and contracts. Where they were used, half-hourly meters, and increasingly smart meters, were felt to play a positive role in providing a transparent basis for relationships with suppliers. However, the widespread perceived lack of transparency made it difficult for many to perceive suppliers' intentions as having integrity, for example, where one consumer was aware of an existing supplier 'Price Promise' offer, others found it difficult to believe.

All businesses wanted the ability to make an informed decision about their supplier. Larger consumers felt that they were in a position to do this through a broker or through their own dedicated resources; smaller businesses often felt that they were unable to make accurate comparisons across the industry. This was either because of lack of awareness of comparison services or websites (of which there are low-medium levels of awareness) or because they felt that the information suppliers provide prevents like-for-like comparison:

"They make it complicated. What's your day rate? What's your night rate? Now, if you know it, when does it kick in? Sometimes it's six o'clock, sometimes it's seven o'clock. You don't know. It's not transparent. It's not common... it's just set out to trick you"

[Birmingham, medium]

Most small consumers felt that the domestic market offered more freedom to switch supplier, and saw no reason why this could not also be the case in the non-domestic market:

"Domestic, you've got... more rights than business, particularly small business... you can switch far more easily than you can in business... [In] business, you're tied to a two year contract, that's it... [As a Domestic consumer] you've got so many days to say you're not happy with that. In business, as soon as you put the phone down, that's it. You've got no comeback. It's over"

[Swansea, micro]

A More Human Relationship

Smaller consumers in general want much more of a relationship with their suppliers in the form of *outbound*, human contact, rather than a conversation with a call centre operative around the time of contract renewal, followed by bill-only contact unless something goes wrong. To be clear, this was not about them wanting a great deal of contact, but rather some kind of pro-active, outbound interaction – ideally, but not necessarily face to face:

“I’m lucky really because I deal direct and I’ve set up a little rapport with the manager at [Supplier X]. And she phones me well before my renewal date”

[Birmingham, medium]

They did not see this as being about suppliers trying to be more ‘friendly’ with them; it was still a transaction, but they felt it would be the best way of achieving transparency and the best deal:

“If somebody was coming into you, and sort of talking to you one-to-one, I would feel more comfortable and I would get more satisfaction rather than on the phone”

[Edinburgh micro]

5. Reactions to Standards of Conduct

The proposed SoC are set out below:

- A) Energy companies behave in a manner that is
 - a. Fair
 - b. Honest
 - c. Transparent
 - d. Appropriate
 - e. Professional
- B) Energy companies provide information to you that is:
 - a. Complete
 - b. Accurate
 - c. Not misleading (in terms of the information provided or omitted)
 - d. In plain, easy to understand language
 - e. Fair – in content
 - f. Fair – in the way in which it is presented (e.g. with more important information being given appropriate prominence)
- C) Energy companies make it easy for you to contact them
- D) Energy companies act promptly to put things right when they make a mistake
- E) Energy companies act courteously to put things right when they make a mistake
- F) Energy companies have customer service arrangements and processes that are:
 - a. Complete
 - b. Thorough
 - c. Fit for purpose
 - d. Transparent

Reactions to the idea of introducing standards

Ofgem's proposed Standards of Conduct for the non-domestic energy market were welcomed by smaller businesses; larger businesses could see that intervention might help smaller businesses but did not see the need for it themselves.

"I can see why you might want this kind of thing for SMEs, I guess, but to be honest we don't have major problems with any of this. You do have to give a fair bit of time to it and to know what you're doing, but that's my job"

[Swansea, large]

Consumers initially felt that the idea of a set of standards was reasonable, and were vocal in their support of what they were trying to achieve; but on further consideration, many felt that introducing standards was unnecessary. Larger businesses did not see the need for them, and saw them more as something that would work in the domestic market; as set out in Section 4, smaller businesses were more interested in energy suppliers simply improving their behaviour in a few key areas, largely relating to transparency of information, pricing and contact ahead of contract renewal. The idea of standards was *most* welcomed by micro businesses; with the proviso that it was the practical, tangible changes they were interested in rather than the detail of the SoC themselves:

"Then comes the concept of what the regulators do, and if they're given the teeth to control the Standards"

[Edinburgh, micro]

"It's one of the things that I campaign against, regulation and red tape. I think it's strangling business, particularly in the UK... but having said that... when it's important, and the strength of feeling we've had here, then I think regulation is actually necessary. But it has to be necessary and to give a benefit rather than create a problem"

[Birmingham, medium]

There was a contrast to how the idea was received in the Domestic market, where the SoC were more actively welcomed. Domestic consumers had a clear sense that, on the whole, they were being taken advantage of, and that the standards represented a welcome stance on their behalf. This dynamic also existed among smaller businesses, where there was a widespread sense of Government 'killing industry' by not supporting small business. The lack of intervention around energy prices and supplier behaviour was sometimes given as an example of this perceived negligence. Businesses as a whole, however, tended to be more transactional and rational in how they looked at their suppliers. So although there was widespread frustration with lack of transparency and contract renewals, many businesses are used to finding a way round situations; indeed, their working lives are largely about finding the least unfavourable position for themselves. In a sense, getting the best energy deal possible is just 'one more business problem' and one more cost to manage. No businesses thought that standards were a *bad* idea; but, outside of the micro and small market, levels of anger towards the market were lower than for Domestic customers, with consumers more interested in seeing practical change and a fair transaction.

Most businesses of all sizes felt that addressing the issues identified around contract roll-over and renewal would increase the natural competitiveness of the market and force suppliers to improve their service in a way that would be more effective and sustainable. For many businesses, the SoC were seen as a slightly bureaucratic endeavour that skirted round what they perceived to be the bigger, issues in the market. Those who were passionate about seeing change in the industry thought that more direct intervention would be more effective. They felt that they wanted to see ‘good, simple basics’ done well, rather than brilliant service, and that intervention was more likely than standards to make this happen. There was a general feeling that suppliers should be operating to this level anyway – *“isn’t this all pretty obvious?”* - and if they weren’t, introducing standards would have little effect:

“It seems like we’re telling them things they shouldn’t be doing anyway; it’s almost like how you treat a naughty teenager... It just seems bizarre to me that we’re sitting in this room talking about these things they should be doing anyway”

[Edinburgh, micro]

Smaller businesses repeatedly said that they would like to see suppliers independently rated against clear, industry-wide criteria to enable them to make an informed comparison and choice. Most felt that this approach would be more useful than SoC; but that the concept of being able to view supplier ratings against the SoC would be the ideal.

“Maybe that’s what you want: you want some kind of figures published, every month or whatever, this is the amount of complaints you have, so there’s like a top 40 chart for different suppliers.... If you have something more of an industry standard”

[Edinburgh, micro]

Reactions to the content of the proposed Standards

Consumers generally saw the proposed SoC as something that existed in aggregate rather than individually, with the individual SoC re-enforcing the overall concepts of improving supplier interactions. This applied right across the market; at the larger end, businesses tended to see the SoC as something that was less appropriate to them because there was less of perceived gap between the SoC and current levels of service. Larger businesses were therefore disinclined to react to the content of individual standards, and found it understandably difficult to do so. Smaller businesses felt that the SoC were variations on the same themes: *transparency* and *ease of contact*. This may well have been because they projected the problems they had with suppliers onto the SoC; but for most who had experienced difficulties, these themes were far and away the most important, and the other elements of the standards were largely seen as secondary, supporting points.

For that reason, smaller consumers' reaction to the content of the SoC tended to be immediately positive; but the sentiment was more of a *'yes, of course this is how things should be'* rather than *'yes, that's a great idea'*. Their reaction was not because they did not want the SoC. To re-iterate, they were interested in the outcomes that the SoC were aimed at rather than in the mechanism itself. Although price is by far the most important issue for consumers, many said that they would be willing to pay a small premium for service of the quality and transparency set out in the SoC. Some felt that they were already doing so; they thought they might be able to find a cheaper deal, but were willing to stay with their current supplier because of a lack of problems with their current service and fear of problems or level of effort associated with switching. Others would be willing to put up with a price increase at contract renewal - as long as it fell within what they considered to be reasonable parameters – in return for good service:

"Instead of putting on 25% on top, even if it's a couple of per cent, maybe that's worth it if you're not going to have to shop around and you can automatically save the hassle. You'd probably pay a small premium because you've got the confidence... so they could actually make a bit more if they weren't stupid"

[Birmingham, small]

The proposed SoC have immediate resonance with consumers; they 'get' the sense of them immediately. The downside of their accessibility is that, for many consumers, they do not warrant closer scrutiny. When people stop to consider the SoC in detail, they give rise to a number of questions:

- How will all this be implemented, and by whom?
- What will the penalty be for failing to meet the SoC?
- How will the standard be measured?
- How do you define e.g. 'fair'?

"It's descriptive but, I don't know, I wouldn't call these standards anyway... I don't class them as standards. It's just a statement ... how is it going to be proved?"

[Swansea, micro]

Many wanted the SoC to drill down into the relevant issues a bit more e.g. to be more specific around how the proposed change would apply when approaching end of contract, the terms of contract renewal, and the number of days notice required. In other words, they wanted the SoC to be a kind of pan-industry Service Level Agreement:

"It's far too vague. You need to have examples of, 'this is not fair or honest'; 'this is beyond the line', 'this is within the line'. You need to have examples of both, I think"

[Edinburgh, micro]

"Looking at that... the only thing I would say about it is that almost every single one of these is a matter of opinion. It's all relative"

[Edinburgh, large]

"I suppose if we look at honest and transparent, it's all there in a roundabout way, but specifically you could perhaps drill down into some of these... For example, there's been quite a lot of talk about this issue of timing and tricking you into the standard tariff. And, as I say, it's covered by honest or transparent or appropriate, isn't it? But I think we need to look under those and pick out some of those"

[Birmingham, medium]

Reaction to Standard A

Energy companies behave in a manner that is:

- a. Fair
- b. Honest
- c. Transparent
- d. Appropriate
- e. Professional

Consumers understood this Standard immediately and perceived it as a kind of summary Standard. Given that the preceding discussion had generally revolved around the concepts of transparency and honesty, this Standard was felt to be in exactly the right territory, and consumers used it to re-enforce their previous points:

"Transparent means, for me... don't give me so much jargon on the phone, be specific in what you're saying and be direct. Don't be going backward and forward with prices when you already know, it's in front of you on the screen; you're making me look like a bit of a fool really. You think you're giving me a good deal but I already know you're not"

[Birmingham, micro]

For many, it captured exactly what they felt was missing in how suppliers behave at the moment. They felt that fairness, honesty and transparency were the key concepts. 'Appropriate' was felt to be redundant because it was hard to identify exactly what it meant, especially in conjunction with 'Professional'. 'Professional' itself was felt to be important but was more to do with the customer service provided by suppliers, particularly through call centres. Many consumers shared experiences where they felt call centre staff had been poorly trained and provided inaccurate or inadequate information.

Reaction to Standard B

Energy companies provide information to you that is:

- a. Complete
- b. Accurate
- c. Not misleading (in terms of the information provided or omitted)
- d. In plain, easy to understand language
- e. Fair – in content
- f. Fair – in the way in which it is presented (e.g. with more important information being given appropriate prominence)

This Standard resonated immediately with consumers; in that they could see exactly where it was coming from and were able to relate it to the issues they had had around contract renewal or sales. All the concepts contained in the Standard were felt to be important, with varying degrees of emphasis based on personal experience. For many, ‘plain, easy to understand language’ was crucial, and was somewhat lost within this Standard; they felt that it merited being a Standard in its own right.

On further consideration, however, many consumers felt that the word ‘transparent’ in Standard A summed up the content of Standard B, and in this sense Standard B was unnecessary in its current form. They suggested that Standard B would have far greater value if it were re-worked as a more detailed and specific set of examples relating to the general principles outlined in Standard A, and in relation to the key touchpoints they had already identified:

“I think individual rules would be great because, as you said, it’s not hard... there’s not that many things that can go wrong... Generally speaking, the sort of things that an energy supplier will have to deal with... is contract issues at the end of the contract; lack of supply; billing issues, either over-charging or under-charging; meter reads. There’s only probably less than ten scenarios which would probably cover 99.5% of dealings that you would have with them”

[Edinburgh, large]

Reaction to Standard C

Energy companies make it easy for you to contact them

This Standard was universally related to contact centres, with two key problems: being on hold for too long, especially during business hours and potentially at significant cost; and being connected to contact centres abroad where the

operative's command of English was felt to be insufficient to enable a proper discussion. For these reasons, the Standard was well received and was seen to be essential. Discussion around this Standard linked back to initial points made about large companies in general, not just energy companies, being hard to contact and hard to build a relationship with. It was felt that, to be effective, the Standard would need to relate not only to ease of contact, but also to the *quality* of contact and conversation that consumers were able to have:

"It needs to be not somebody reading off a crib sheet... I think their telephone people should have a better education on what they're dealing with. And they don't know, they just work off that piece of paper, hypothetically, or the computer screen in front of them"

[Birmingham, small]

Consumers generally related 'contact' to contract renewal, it being the time when there is most consideration of and interaction with suppliers. They saw contact as a key mechanism for the 'transparency' and fairness discussed in Standard A.

Repeatedly - and importantly, given the demand for a better relationship - consumers pointed out that they were not just interested in how they might better contact suppliers; they wanted suppliers to be more proactive in the way they contacted them, and to focus on more regular outbound contact. They felt that this contact should either be in the form of an account manager calling or, in some cases, making an appointment to come and see them. Others felt that this was unlikely to happen because of the financial implications for suppliers, but felt that it was not too much to ask of suppliers for there to be a regional account manager or team who had some understanding or overview of their business and their energy history. Thus, although this element of the SoC was well-received, it was felt to represent only one part of the interaction required.

"Actually a light's just gone on with me there, that the fundamental thing is they contact you ... at the moment... you've got this 90 to 60-day gap before you have to contact them. If you miss it, you've had it. So I think the first fundamental thing is they contact you"

[Birmingham, medium]

Reaction to Standard D

Energy companies act promptly to put things right when they make a mistake

Consumers agreed with the spirit of the Standard, but there was a sense that everything that this part of the SoC needed to encapsulate was covered elsewhere, and that there did not need to be a stand-alone element to cover mistakes. This Standard chimed particularly with those who had had problems; but in many cases it was not always the supplier who was felt to be at fault. In particular, broker

behaviour was singled out as a problem for smaller businesses, and a number of them suggested that the SoC should cover brokers as well as suppliers.

The word 'promptly' was widely felt to be too vague to be of any use, with consumers wanting to see a specific timescale attached to particular issues:

"I would've said you could probably condense that into a very, very simple guideline. And, what you were saying about the contract thing, some sort of response time. If you've given a wrong meter reading and you give them the correct meter reading, how quickly should they rectify that and whether there's a refund made"

[Edinburgh, medium]

The concept of timed response to mistakes underlined the issue that many consumers had around the SoC as a whole: what would happen if a supplier did not meet them?

"I think there needs to be an over-riding thing... something which says, if the customer's had an issue and it's not been resolved in this timescale then the guillotine comes down and something more serious happens. There needs to be a clear mediation line for all these sorts of things and a mediator with teeth who can deal with them"

[Edinburgh, micro]

The most common kinds of mistakes that consumers identified were incorrect readings (e.g. confusing night and day consumption, wrong meters being read) and inaccurate billing. However, for smaller consumers, 'mistake' also referred to what *they* would deem a supplier mistake, but what suppliers themselves might not. Once again, they talked about contract renewal as the key issue, and about missing 'the window' for changing supplier through, they felt, no fault of their own. They wanted to see more flexibility – or at least pro-active suggestions - from suppliers in how they responded to this situation:

"You do get cooling off in certain circumstances, but that's not good enough ... if you get locked in... you could actually get someone to say, why don't you stop on standard tariff... for a month because I know that prices... are going to be lower? You could get that sort of advice, couldn't you?"

[Birmingham, medium]

Reaction to Standard E

Energy companies act courteously to put things right when they make a mistake

The concept of courtesy was felt to be broadly the same as 'professional' and 'appropriate'. Therefore, although consumers supported the spirit of this Standard, it was felt that it had already been covered in other areas of the Standards. Consumers replayed previous discussions about the absence of relationship-building behaviours on the part of suppliers, and the difficulty of establishing a rapport with any large supplier.

Few consumers felt that suppliers were actively discourteous; it was more that going through a call centre limited the extent to which genuine interaction was felt to be possible. What consumers wanted to see in this context was *ownership*. They wanted to be able to quickly get through to someone who could deal with their situation and resolve it, without them having to go through several points of contact. Many consumers had experienced situations where they had been passed from one employee to another in dealing with energy suppliers. It should be noted that this was presented as a common issue in dealing with large companies in general – but that energy suppliers were seen as the worst culprits. Many consumers were at pains to emphasise that they accepted that errors happen, and that suppliers deal with huge numbers of consumers. In return for this understanding, however, they expect a good process to be in place to rectify mistakes:

"If you get to speak to the right person who says, 'I understand your problem. This is what we'll do, what will happen, here's our reference number for this call'. All companies, there are errors happening - and it's how they resolve that"

[Edinburgh, micro]

Areas felt to be missing from the Standards

The key concepts that consumers saw encapsulated in the SoC were honesty, transparency and fairness. For most, the SoC could be cut down to focus on these words. However, the caveat would be that these concepts would need to be articulated in a way that explained what these words meant in practice and related more clearly to specific behaviours around contracts and contact practices.

Some felt that the words 'no jargon' or 'plain English' did not have sufficient emphasis in the Standards. Building on the discussion around Standard E, several consumers thought that the concept of 'taking ownership' was missing. Although they recognised that it might be implied, they felt it was a specific area where they had been let down in the past. A number of consumers also pointed out that there was no 'cooling off' period in their contracts, which they felt was unfair given the

length of the commitment involved. Although not a direct criticism of the SoC, the perceived lack of flexibility on the part of suppliers was something that they felt the Standards should also seek to address.

However, aside from these criticisms, it was less a case of consumers feeling that concepts were missing from the SoC, and more that – in keeping with domestic consumers' reactions - they were open to interpretation, and that, for example, supplier perceptions of 'fair' behaviour would differ from those of consumers. Here, consumers were looking for the *spirit* of the SoC to be implemented, but they felt that suppliers would "*find a way round*" them as currently presented.

"I'm still sceptical... they're so perfect that if you tried to implement them, these big companies would have teams of people working out what they can get away with to be able to say they're meeting things.... or the implementation would be surrounded by enough caveats in the name of competition that it meant there was wriggle room for the company"

[Edinburgh, large]

This feeling was widespread, and was rooted in how consumers saw suppliers' current behaviour in relation to contract communications:

"That's what I've found trying to read our current contract, I've found all these horrible sub-clauses, but they were sub-clauses quite well down the contract. And all the other ones are things that probably for 95% of us are never going to affect us in our contracts"

[Edinburgh, medium]

In short, consumers were arguing that if energy suppliers had shown that they were unwilling to self-regulate around consumer needs, then any SoC would need to be more specific if they were to be effective. Their solution to this issue was:

- a) for the SoC to include examples of appropriate supplier behaviour in relation to specific issues e.g. giving notice of end of contract;
- b) for the SoC to include specific timescales against which suppliers could be measured e.g. number of days notice period

Many consumers recognised that it was potentially difficult for Ofgem to stipulate details terms around supplier behaviour; but even they felt that, without a greater degree of direction, the Standards might not be effective.

Communicating the Standards

There was a desire from most consumers to be kept abreast of developments around the SoC. They felt that they would like to be informed about their implementation, and many asked what would happen as a result of this research and where they could find outputs. In general, they would welcome being told by post or email when the SoC were being implemented. Many consumers, however, wanted to be informed not only about the SoC themselves, but about what Ofgem was doing to enforce them. They felt that a communication describing the SoC in isolation would be incomplete, and that it would need to include a sense of what they could do if suppliers were not living up to the standards set out.

There was frequently a resurrection of the discussion about the difficulty of comparing supplier prices and performance, and the need for an objective supplier rating system. It was felt that the introduction and communication of this kind of rating system *in direct relation to the SoC* would be extremely compelling:

“[It would be good if] it was all there online and you went, wait a minute, they should’ve got back to me within 30 days, and it was 60 days before they fixed that... and then if you had some sort of fairly straightforward grievance procedure or compensation or something”

[Edinburgh, medium]

The discussions were often animated, and smaller consumers were frequently passionate about the changes they wanted to see. However, it is the perceived injustice of the current situation and the desire for change that is the cause of passion; not the Standards themselves. Communication therefore needs to be handled carefully if to the SOC are to be actively welcomed by consumers, with a clear articulation of how they are part of *systemic change*, rather than simply an articulation of the SoC themselves.

6. The Third Party Intermediaries' perspective

The research sought the perspective of brokers and consultants across a range of sizes. They were asked to give their views on current dynamics in the market and on their interactions with suppliers, to aid understanding of the context in which the Standards may need to operate. They were also asked for their views on the SoC themselves, and to which part of the market – if any – they felt they should apply.

This section of the report refers to 'small' and 'large' TPIs based on the number of employees working for the TPI.

Dynamics in the TPI market

TPIs of all kinds felt that the TPI market was becoming increasingly competitive, although larger businesses and a number of those with sectoral specialisms were sufficiently established to feel confident of their market position. The competitive pressure was described as being particularly intense for smaller TPIs, who felt that they were fighting harder and harder for business and that clients were taking longer to make decisions, or deciding to act for themselves:

"There are so many people out there vying for business now, and because of the economy I've lost some clients who decided, rightly or wrongly, after some years, that they can do just as good a job themselves"

The competition and behaviour described takes a number of forms. At the largest end of the broker market, brokers talked about unidentified competitors offering cheaper and cheaper prices to clients, to the extent that the brokers we spoke to felt that some deals must be misleading, unsustainable, or both. At the larger end of the market there was a great deal of high-level discussion about regulation of TPIs, and of unscrupulous behaviour:

"There are allegedly some players in the marketplace that are not so transparent, and therefore when one competes against them, it becomes very difficult because the client can be misled into believing that they're not actually paying for the service. So it all looks very cheap"

Larger TPIs also felt that clients were not always completely aware of what they are paying or how their bills broke down, and that some brokers took advantage of this situation.

"At times, we lose business and we're being told the fee being paid is minute, and we just don't understand how that can be, and we're suspicious of it"

Smaller TPIs tended to talk more about growing levels of consumer scepticism in the energy market, with consumers increasingly questioning their integrity, who they are and who they represent. They echoed the views of consumers in

describing how their reputation had been tarnished by a number of ‘cowboy operators’ who are dishonest – or at least not transparent - about what they can offer, how they get paid, or what the final price will be:

“There are now an awful lot of buyers who are suspicious of everybody and therefore it’s that little bit more difficult to gain their trust”

Smaller TPIs talked about suppliers ‘going direct’ to smaller and smaller businesses, cutting out the role of the TPI and – again – operating in way that they felt must be unprofitable - and therefore unsustainable and ultimately damaging to the energy market as a whole. Smaller TPIs felt that, in many cases, suppliers now offered better prices to direct customers than through TPIs:

“We’re getting a lot of suppliers becoming a bit more keen on contacting customers who have provided a termination letter and offering them prices that we just can’t match”

“Certain suppliers... must be spending an awful lot of money on getting people to call clients and undermining what we’re trying to do for the client”

Conversely, some TPIs described incidents where their clients had initially gone directly to suppliers and had been quoted prices that were significantly *higher* than the TPI provided. Although this situation benefited TPIs, they felt that the extent of the price difference made consumers more wary of suppliers, which had an adverse effect on the reputation of the energy industry as a whole.

Interaction with suppliers

At the larger end of the market – in common with consumers – TPIs reported few problems in relation to suppliers. They were aware that their interaction with suppliers was generally with a different part of the organisation to SMEs, and tended to have few problems in getting the information or the service level they require. They were aware of the value they bring to suppliers and of the power they wield as a result.

By contrast, many smaller TPIs felt that suppliers did not value them. For them, there was a big issue around the quality and consistency of supplier interaction. They felt that the quality of their relationship with a supplier is greatly dependent on the quality of their named point of contact, what level of rapport they have, and what kind of history they had with the suppliers.

Three key themes emerged repeatedly in relation to supplier interactions: supplier responsiveness, the scale of supplier organisations, and problems around contract renewal and objections.

Responsiveness

Responsiveness and speed are by far the most important factors in TPIs' relationships with suppliers - and in the service they are able to offer their customers – and in this area, smaller TPIs feel that they are completely at the mercy of suppliers. Several believe that levels of responsiveness have decreased noticeably:

“Response times have got very, very slow, if we’re dealing with objections. I used to be able to pick up the phone, sort the objection out, put the phone down and it was done. Now, it can take... two or three days before I can get an objection sorted out. And obviously objection windows are very short, and it’s making it very difficult”

“Even a simple thing like a contract expiry date, they can take five days, seven days to come back to us, just with a contract expiry date”

TPIs felt that large suppliers often use legacy IT systems that are slow and not fit for purpose. Many smaller TPIs believe that newer suppliers are more responsive than the Big Six because they are keen to build their portfolios and have a greater need of the new business. Several TPIs went so far as to say that suppliers were actively trying to push them away:

“I think there’s a general view within the energy companies – again, some of it because they’re feeling the pinch – that in some places TPIs can be a bit of a nuisance to them in that they [the TPIs] know all the disingenuous practices that some – not all, but some [suppliers] are up to, ... and so they are, in many ways, taking lots of actions to try and emasculate us”

Dealing with large supplier organisations

Large TPIs generally engaged with the Corporate part of the organisation, and felt that the teams or individuals they dealt with offered a good service in terms of speed of response and clarity of information provided.

By contrast, most smaller TPIs believed that the size and structure of supplier organisations – and particularly the Big Six suppliers – was a serious barrier to customer service, speed and clarity of response:

“One of the problems you have is they are completely different sets of people. Non-half-hourly and half-hourly in the same company, completely different departments”

Most smaller TPIs felt that the staff they dealt with in the Big Six suppliers were poorly trained, not having enough knowledge to use systems properly, or giving them information that, they feel, is clearly incorrect:

“Sometimes they don’t know the answers because they just haven’t been given the training. Or, they tell you things which are blatantly wrong, again probably because they’ve been given duff information”

TPIs valued the ability to have a robust, but professional discussion with suppliers, and found that this is not always possible due to the experience or aptitude of the person they are required to deal with. Increasingly, smaller TPIs are finding that they have to go through Aggregators (brokers acting on a supplier's behalf) to deal with certain suppliers, which they described as putting another layer between them and the supplier, making it impossible to build any sort of relationship and made it very difficult to deliver a good, fast service to their customers.

Problems with contracts and objections

Like consumers, smaller TPIs became most animated when discussing problems with the terms and communication of contract renewal. Smaller TPIs generally believed that suppliers do not always behave ethically, and that the smaller businesses they dealt with needed protection from that. Examples included suppliers encouraging customers to break contracts, misleading customers by hiding potential price changes in T&Cs, abusing the objection process, and taking advantage of rollover rates.

"To be honest, there are some suppliers that I would say have abused their position on objection processes, and they've admitted that they have automatically raised an objection without even checking properly"

TPIs were often very frustrated by the time and complexity involved in the transfer process, believed that it favoured the current supplier, and that it led to unfair charges for business customers. TPIs felt that this was the single biggest issue for their customers, and that there should be a standard process across all suppliers. They believed that the process was weighted heavily towards the supplier rather than the consumer, and that steps should be taken to address this situation:

"We've [The Supplier] objected to your transfer, therefore we're stopping it happening, which means in reality you're going to be on out of contract rates for a while because the new supplier applied a day too early... the whole idea of this process... all these D flows and D notices... again they're something that came down from the mountain on tablets of stone.... that is just not reasonable"

Reactions to the Standards

Although TPIs are concerned with protecting their end clients, many of the issues they identified related to their own dealings with suppliers. Their reactions to the Standards were a combination of what they wanted to see happen on consumers' behalf, and the improvements they wanted to see for their own benefit.

TPIs were generally very positive about the idea of the SoC, often stating that *any* attempt to improve theirs and consumers' interactions with suppliers should be

applauded. Smaller TPIs felt strongly that improvements were urgently needed in the non-domestic market:

“Business customers need rights every bit as much as domestic... I think they’re looked after much worse than [domestic] consumers. Ofgem don’t tend to focus on them”

Smaller TPIs saw that the SoC could help them and their customers, in particular in relation to speed of response, clarity of information provided, and supplier behaviour around end-of-contract.

Larger TPIs thought that Standards should probably apply to SMEs, but were not needed for larger customers. In terms of their own experiences, they believed that increased intervention in the market was likely to be unhelpful, and that if they experienced bad service they would simply take their business elsewhere. Because they deal with a separate part of supplier organisations, their stance on the need for SoC in the SME market was generally related to anecdotal information rather than direct experience.

A small minority of smaller TPIs worried that, if successful, SoC could potentially erode the value they offered to consumers as interpreters, and argued that targeted intervention in key areas – particularly around out-of-contract rates and notice periods – would be more suitable. They were concerned that if the Standards were introduced, it would increase the current trend for customers to go direct to – or to be approached by – suppliers.

Content of the Standards

TPIs’ in-depth understanding of the technicalities of the energy market meant that they were primarily concerned with the detail of how the SoC would be applied. Although all smaller TPIs supported the spirit of the SoC and what they sought to achieve, some therefore found it difficult to relate to the content as anything other than a general statement of intent to improve supplier behaviour.

For many TPIs (as for consumers), there was a concern that the SoC were insufficiently detailed, and that, as a result, they were unlikely to result in behaviour change from suppliers:

“Well it’s something new, but frankly it’s a bit woolly, it’s a bit empty. It’s all spin, all light-grabbing and I can’t actually see a great deal of substance there to be honest. I know it’s only just a load of words down there, but trying to look behind it I’m struggling to see any substance”

In particular, TPIs wanted to see something in the SoC about the terms of contract renewal. Without that, they felt that the Standards were failing to tackle head-on what was universally acknowledged as the main problem for consumers - and for them.

In common with consumers, 'fair', 'honest', and transparent' were the concepts that had by far the biggest impact. 'Easy to contact' had particular resonance for TPIs, given that this is a central part of their roles. Some TPIs wanted to see a specific Standard relating to relationships between TPIs and suppliers, around maintaining professional working relationships for the benefit of end customers.

A number of TPIs felt that the Standards should apply right across the energy market, including brokers. In part, this was to address issues around 'cowboys' in the TPI market. It was also about giving them the ability to make a complaint if they felt they were being treated badly by a supplier, for example through non-payment or through misleading information around pricing. Some felt that they currently had nowhere to go in these circumstances.

There was widespread belief that the SoC would need to be strongly policed and enforced if they were to have a genuine influence on supplier behaviour, and that the way the market had evolved since deregulation gave little hope that suppliers would choose to improve customer experience independently:

"They've had 16 years... to do things properly and honourably and they haven't... I think customers have been ripped off left, right and centre by spurious clauses and dodgy practices"

"They will take it seriously in that they will at least be seen to be compliant... but I also suspect the culture will be that they're not going to buy into it culturally... it will be what do I have to comply with? What can I get away with?"

The TPIs who were most cynical about suppliers did not think the SoC were a bad idea; but rather, like consumers, they wanted to understand how the SoC would target specific and known problems in the industry, and in particular the enforcement mechanisms that would be in place around them.

7. Summary

There is clear demand for change among micro, small and medium-sized non-domestic customers. These businesses universally welcomed the concept of intervention in the way energy suppliers interact with them, whether in the form of SoC or otherwise. By contrast, there is 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.

The need for protection is most clear among micro businesses, where consumers most frequently had bad, and, sometimes distressing experiences, and rarely had the time, resource or expertise to deal with situations that were affecting them. Our research showed 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.

Despite these experiences and even though they were often outspoken in wanting to see greater transparency, we believe that medium-sized businesses are generally better able to look after themselves and to achieve the results they want – even if outcomes are not always easily achieved. As business size increases, levels of frustration and anger decrease; medium-sized businesses often have an appointed individual whose responsibility it is to address these issues, and it is rarely their money that is on the line. 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.

That said, the kinds of changes consumers want to see regarding contract renewal and notice periods would be warmly welcomed by *all* businesses; the extent to which SoC are welcomed and thought to be needed depends greatly on exactly what is contained within them, and how much potential impact they are perceived as having in these areas.

The Standards 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, as for consumers, there was a clear desire for the SoC to be linked to specific touch-points in the consumer or broker experience, for the SoC to be more specific around, for example, contract notice periods, and for the enforcement mechanism and penalties around the Standards to be made clear.

Appendices

Appendix 1: Discussion guide for non-domestic consumers

1. Introduction

(5 minutes)

- Welcome. Explain purpose of research. Explain potential collaborative event and selection process.
- Round table introductions: introduce business – sector, size, age, personal role and what it involves

2. Understanding current business challenges

(10 minutes)

(NB adapt and position according to size and profile of businesses)

- What are the key challenges in being in/ running your business/organisation at the moment?
- Is the environment as tough as the media say? Why in particular? Is it any harder than it was 5 years ago? Any green shoots?
- What does this mean for your role and the choices you have to make?

3. Suppliers you deal with

(10 minutes)

- What kinds of suppliers/providers do you deal with on a regular or occasional basis? *(prompt – Phones, Broadband, Water, Gas, Electric, any others)*
- How do you choose them: who chooses, and how does this process work? Explore whether a broker is used for any services including gas and electricity or whether the business does the research and choosing themselves.
- Are there any suppliers or providers who you see as particularly good or bad, and why?
- What kind of interactions do you personally have with suppliers/providers or brokers? Is it you or a colleague who deals with them?
- What makes for a really good supplier/provider? How should they behave when you contact them/they contact you? What kind of interactions should they have with you?
- Focus on role of TPis/brokers as necessary: how far do you see them as responsible for the quality of the supplier you use?

4. Focus on energy: information & engagement

(10 minutes)

- What role does electricity play in your business? What do you use it for?
- How big an overhead is it to you in relation to your other costs?
- Do you use mains gas in your business? What do you use it for?
- How big an overhead is it to you in relation to your other costs?

- How much do you engage with the energy supply to your business? Is it something you think about? How much contact do you have from your energy supplier/s? Is that about right or would you like more/less?
- How *well informed* do you feel? Do you know what contract you're on? (probe for level of detail known e.g. do you know how long your contract is for? When the contract will come to an end? The rate you are paying?) Do you know how much energy you use? (probe re. how e.g. because of meter type; track usage yourself; just by billing info) What else do you think your supplier should be telling you? How useful would that be?

5. **Focus on energy: suppliers & interactions**

(10 minutes)

- Re-establish which suppliers are used for both gas and electricity
- How long have you been with them? (probe re. why did they switch / have they considered switching)
- What are they like to deal with? Any particularly good or bad experiences? (thinking about supplier communications, interactions, advice, complaints, billing issues etc).
- What could have been done better or differently?
- How do they stack up against other suppliers or providers to your business?
- How do you pay? Does it all work smoothly? Any issues?

6. **Standards of Conduct**

(45 minutes)

- Ofgem regulates the gas and electricity industry and can put rules and conditions in place that all energy suppliers have to abide by. Do you think there are any particular rules they should consider putting in place? (probe: any related to how energy suppliers interact with business customers?) Why those? How important is this? How would it differ from what happens now?

Handouts of SOC's – facilitator to explain that these are standards of service that gas and electricity suppliers could be required to meet for domestic customers. Read out.

- What are your initial reactions to these service standards?
- Do you think they're needed for business customers? Why/not?

If needed:

- Are these Standards covering the right things for business customers?
- Which parts are most important?
- Which aren't needed?
- Is anything missing?

- *If needed:* For ALL business customers or for certain sizes or types of business?

If not needed: Is anything along these lines needed for business customers?

Taking (a), and (b) from the SOC's in turn – rotated through the focus groups:

- What would they mean in practice for you and your business? (general)
[probe for what they would mean under different scenarios and whether respondents think the Standards would address any current problems related to these scenarios e.g. 1. When your contract is coming to an end 2. If you are having some kind of problem with your meter 3. If you have been undercharged for your energy use]
- What should the supplier do if they were abiding by these standards? (probe for each component of the SOC)
- What shouldn't they do? (probe for each component of the SOC)
- How different is this from what happens now?
- What if you use an energy broker: should these standards apply to them? What difference would this make?
- How far are standards a relevant concept: Should each supplier decide how they want to treat their customers themselves perhaps providing a lower quality service but a cheaper price?

(c) from SOC's – rotated so before (a) and (b) for some groups:

- How easy do you find it to contact your gas or electricity supplier now?
- What would make it easier? How practical do you think that is for them to do? [trade off with costs]
- What would make you feel a supplier has acted courteously towards you if they make a mistake? What should they do? What shouldn't they do?

Standards of Conduct (communication)

- What do you think these Standards should be called? / What do you think of these names for these Standards? Which do you like most / least?

Wrap-up

- If you were in charge of the energy supplier you use what one thing would you do to improve the way they deal with their customers?
- Briefly explain collaborative event

Appendix 2: Discussion guide for TPIs

1. Introduction

- Explain purpose of research and IE. Ofgem know which brokers we are talking to but we won't be directly attributing any of your comments back to you - we will just talk about brokers and TPIs in general.
- Could you briefly describe to me the nature of your business e.g. the types of businesses you work with (size, sector, geography), whether it is just energy contracts you deal with or other types of services as well.
- Do you deal with both gas and electricity?

2. Understanding current business challenges

- What are the key challenges in being in/ running your business at the moment?
- Can you describe to me a typical relationship with one of your business customers? *(probe for both sourcing the initial contract and whether they have an on-going relationship e.g. dealing with the energy supplier on behalf of the business)*

3. Supplier interactions

- How many energy suppliers do you deal with? Are there any energy suppliers who you see as particularly good or bad, and why? *(probe for the way the suppliers treat their business customers as well as the interactions with the TPI)*
- What kind of interactions do you personally have with suppliers?
- What makes for a really good supplier? How should they behave towards their business customers? What kind of interactions should they have?
- What are the main issues you contact suppliers about on behalf of your customers? Any particularly good or bad experiences? What could have been done better or differently?
- *For those who also deal with other suppliers e.g. water, telecoms* – how do you think energy suppliers compare to suppliers in other industries? What do they do better? Worse?

4. Standards of Conduct

- As you know, Ofgem regulates the gas and electricity industry and can put rules and conditions in place that all energy suppliers have to abide by. Do you think there are any particular rules they should consider putting in place related to how energy suppliers interact with business customers? Why those? How important is this? How would it differ from what happens now?

Could you take a look at the Standards that we emailed over to you? These are standards of service that gas and electricity suppliers could be required to meet for domestic customers. [Read out if necessary].

- What are your initial reactions to these service standards?
- Do you think they're needed for business customers? Why/not?

If needed:

- Are these Standards covering the right things for business customers?
- Which parts are most important?
- Which aren't needed?
- Is anything missing?

If needed:

- For ALL business customers or for certain sizes or types of business?
(probe: if for certain size of business – what do they mean by this? Is there a certain spend or consumption level they have in mind?)

If not needed:

- Is anything along these lines needed for business customers?
- How far are standards a relevant concept: Should each supplier decide how they want to treat their customers themselves?

Thank and close

Appendix 3: Standards of Conduct

Standards

- A) Energy companies behave in a manner which is
 - a. Fair
 - b. Honest
 - c. Transparent
 - d. Appropriate
 - e. Professional

- B) Energy companies provide information to you which is:
 - a. Complete
 - b. Accurate
 - c. Not misleading (in terms of the information provided or omitted)
 - d. In plain, easy to understand language
 - e. Fair – in content
 - f. Fair – in the way in which it is presented (e.g. with more important information being given appropriate prominence)

- C) Energy companies make it easy for you to contact them

- D) Energy companies act promptly to put things right when they make a mistake

- E) Energy companies act courteously to put things right when they make a mistake

- F) Energy companies have customer service arrangements and processes which are:
 - a. Complete
 - b. Thorough
 - c. Fit for purpose
 - d. Transparent

Appendix 4: Sample Profile

Businesses

A total of 54 non-domestic consumers took part in the research. This comprised 43 consumers across eight group discussions and 11 one-to-one depth interviews. The discussions with the micro, small and medium businesses took place mostly in groups and the large and very large businesses mostly through depth interviews.

Size of Business	No. respondents
Micro	23
Small	12
Medium	8
Large and Very Large	11

Size of Business	No. of employees	Additional spend criteria
Micro	0-9	Electricity spend up to £10,000, gas spend up to £5,000
	10-49	Combined gas and electricity spend up to £2,000
Small	10-49	Unless combined spend is less than £2,000 or gas spend is more than £25,000
	50-249	Electricity spend under £5,000 and gas spend under £1,000 and/or consider electricity to be a small part of their overheads
Medium	10-49	Gas spend over £25,000
	50-249	Electricity spend over £5,000 and/or gas spend over £5,000 and/or consider electricity or gas to be one of the main overheads of the business
Large	250+	
V. Large	250-499	Consider electricity and/or gas to form a large part of their overheads
	500+	

Businesses were segmented based initially on size (established through number of employees). Further segmentation ensured that outliers were allocated to groups more appropriate to their spend levels and overheads rather than size (e.g. a restaurant with few employees but high spend on kitchen costs; or a surveying company with a large, highly mobile workforce and little head office presence).

Amongst the micro businesses we deliberately recruited a number of 'disengaged' businesses that had neither contacted their energy supplier during the last year, nor looked around for a better deal. Of the 23 micro businesses taking part in the research, 13 were disengaged by this definition and 10 were engaged i.e. they had either looked around for a better deal during the last year and/or contacted their supplier.

Businesses were recruited to represent a broad cross-section of sectors as shown in the table below.

Sector	No. respondents
Construction	1
Education	5
Health and social care work	5
Hotels and restaurants	9
Manufacturing	6
Professional, scientific and technical services	11
Real estate, renting and business	5
Transport, storage and communication	3
Wholesale and retail trade; repairs	9

We also ensured that the sample included a range of energy suppliers, including a number of smaller suppliers.

Electricity Supplier	No. respondents
British Gas	17
EDF	5
EON	7
Npower	3
Opus	7
Scottish Gas	3
Scottish Hydro	2
Scottish Power	7
Other	3

Gas Supplier	No. respondents
British Gas	13
EON	7
Gazprom	2
Npower	2
Opus	1
Scottish Gas	1
Scottish Hydro	1
Scottish Power	5
Total Gas and Power	2
Other	2
None	18

TPIs

A total of ten TPIs took part in the research. These were selected from a list supplied by Ofgem.