



ofgem

Research Findings on the Experiences of Non-Domestic Customers

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Contents

1. Introduction	3
1.1 Background & Objectives.....	3
1.2 Research Methods	4
1.3 Sample Structure	5
2. Executive Summary	8
3. Main Findings.....	13
3.1 Businesses' engagement with the energy market.....	13
3.2 Meeting businesses' needs	19
3.3 Third Party Intermediaries	23
4. Summary of Findings.....	27
Appendices.....	30
Appendix 1: Sector Definitions	30
Appendix 2: Discussion Guides	31

1. Introduction

1.1 Background & Objectives

In March 2011, as part of its Retail Market Review (RMR)¹, Ofgem identified a number of areas of concern within the business sector of the energy market, including the potential for more protection for business customers. The non-domestic sector provides its own challenges and considerations. Specific areas that Ofgem sought to explore through this research included: businesses' engagement with the energy market and their energy supply; understanding of bills and tariffs; businesses' experiences of switching and how they were able to navigate the switching process; businesses' contracts with energy suppliers and awareness of the terms and conditions; perceptions of and confidence in third party intermediaries; and trust in suppliers overall.

Research undertaken by Harris Interactive in March 2011² amongst small and medium enterprises (SMEs) found that perceptions of suppliers were often negative, with spontaneous claims of profiteering and a lack of proactivity with regard to contract renewal, rollover and the issuing of renewal letters. Businesses often believed there was insufficient transparency regarding bills and terminology, tariff rates and contract terms. Bills were found to be the main channel of supplier contact and information and there was widespread uncertainty about the existence or terms of energy contracts, with contract rollovers a real concern for some businesses.

In November 2011, Ofgem published a further consultation, setting out a range of proposals for the non-domestic retail sector.³ These aimed to:

- Help more business customers be aware of their contract terms
- Improve the supplier switching experience for business customers
- Increase confidence when using third party intermediaries
- Improve customers' trust in suppliers

Following these proposals, a further need for evidence from all types of business customers was identified, focusing on the following issues: energy management, information and knowledge, tariffs and payment, switching experiences, and service levels.

Research Objectives

The main areas being explored in the research were:

- The amount and kinds of **information** businesses receive, and whether businesses consider this to be sufficient.
 - What information businesses need to effectively **engage** with the market.
- Whether businesses have **switched their supplier** in the past and their reasons for doing so, business consumers' experience of the switching process and what businesses look for when doing so;

¹ http://www.ofgem.gov.uk/Markets/RetMkts/rmr/Documents1/RMR_FINAL.pdf

² <http://www.ofgem.gov.uk/Sustainability/Cp/CF/Documents1/SME%20Attitudes%20%20Behaviours%20Report.pdf>

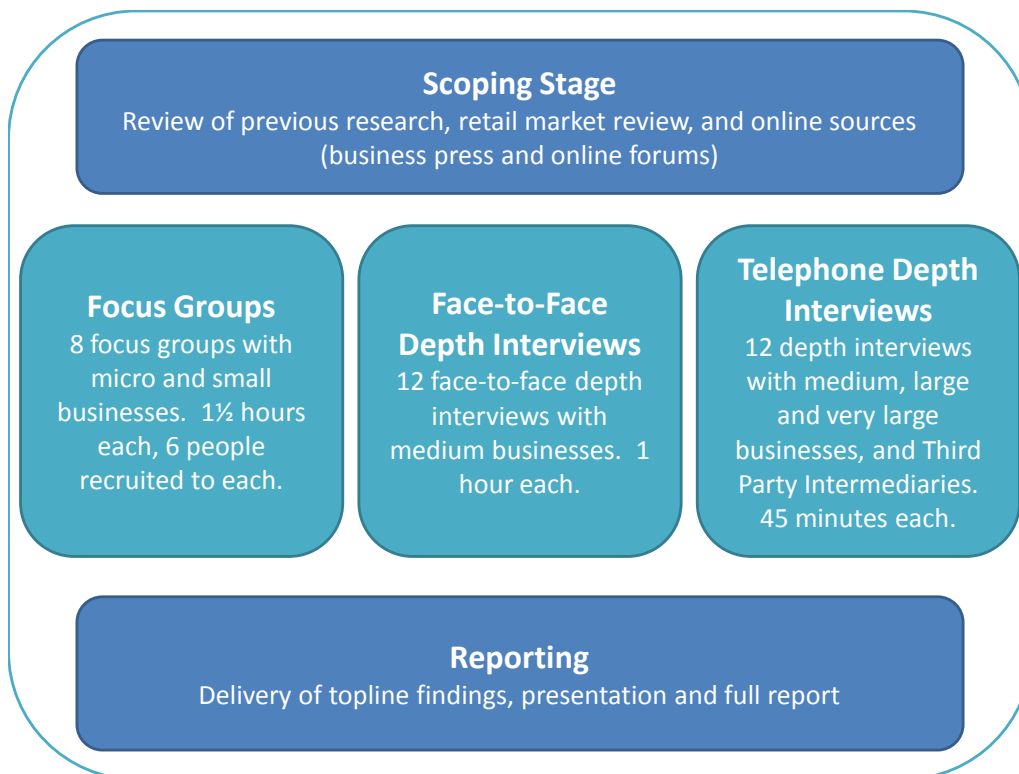
³ http://www.ofgem.gov.uk/Markets/RetMkts/rmr/Documents1/RMR_non-domestic%20proposals_consultation.pdf

- What measures businesses are taking to monitor their **energy usage**, and how active a role they take in the energy market, and in their **relationship with their supplier**.
 - This includes monitoring and modifying energy usage.
 - The nature of the relationship between businesses and their supplier (and how this is maintained).
 - The use of energy brokers and thoughts about an accredited code of practice for brokers.
- How important **customer service** is to business customers, and how this can affect businesses' experiences.
- What businesses make of their **contracts and tariffs**, and experiences they have had:
 - Of contract rollovers or complications.
 - Regarding payment of bills.
 - Of overcharging or back-billing.

1.2 Research Methods

The diagram below outlines Opinion Leader's approach to this research. All fieldwork on this project took place during May 2012.

Overview of Research Design



Before beginning the primary research, Opinion Leader undertook a scoping stage. Two days were spent reviewing Ofgem's previous research in this area (as well as RMR documents) and reviewing online sources

of information on business customers' views of energy supply. This enabled researchers to prepare for the issues likely to be raised in the research and to finalise the discussion guide with these in mind.

Primary research was then undertaken with businesses of different sizes. A range of qualitative approaches were used during the research, including focus groups, face-to-face and telephone depth interviews. This enabled researchers to facilitate participation amongst the very different kinds of business people to be recruited to this research (from different sectors, business sizes, locations, various levels of energy dependency, etc.). Micro and small businesses are more numerous than larger businesses and it is therefore easier to facilitate participation in focus groups. This was beneficial as it allowed people running or working for different businesses to interact with one another and share their views. Medium businesses were interviewed face-to-face and individually due to their relatively low number. Large and very large businesses were interviewed by phone, allowing coverage of a wider geographical area.

Each focus group lasted 1½ hours and six respondents were recruited (to allow four to six participants to attend). Face-to-face interviews lasted one hour and telephone interviews lasted 45 minutes. Both the face to face and telephone interviews were with individual businesses.

1.3 Sample Structure

The table below shows the full sample structure for this research and the total number of participants participating in each category (Focus group = FG; Face-to-face interview = FDI; Telephone interview = TDI).
Sample and Number of Participants

Sector	TOTAL PARTICIPANTS	Size of Business				
		Micro	Small	Medium	Large	Very Large
Professional services	18	1FG	1FG	3FDI	2TDI	1TDI
Customer based industries	16	1FG	1FG	3FDI	2TDI	1TDI
Manufacturing, transportation and storage	16	1FG	1FG	3FDI	2TDI	1TDI
Utilities, construction and agriculture	17	1FG	1FG	3FDI	2TDI	1TDI
TOTAL RESPONDENTS	67	21	22	12	8	4

The four sector definitions used above were aggregated from the Standard Industrial Classifications (SIC), to incorporate all 21 SIC codes.⁴ This enabled the research to include as wide a range of British businesses as possible. Precise sector definitions are provided in appendix 1 of this report.

The research took place in the following locations. Two focus groups and between five and seven interviews took place in each location.

Research Locations

Country	Area	Description
England	Greater London	Businesses based in any London Borough
	Greater Manchester	Businesses based in one of the ten local authorities comprising Greater Manchester
Scotland	Central Belt	Businesses based in Edinburgh and Glasgow
Wales	South Coast	Businesses based in the Newport, Cardiff, Swansea conurbation

Respondent role and use of brokers

- All respondents were the person in their business with ultimate responsibility for choosing the energy provider. All had responsibility for either paying or approving bills.
- Six of the twelve large / very large businesses and eight of the micro, small and medium businesses used a broker.

Energy billing

Across the sample, a total of:

- Eight participants were half hourly metered for electricity
- Four were monthly metered for gas.

Multi-site operations

At least sixteen participants had multi-site operations and were responsible for choosing energy suppliers across these sites.

Levels of spend

Levels of spend varied widely within the different size categories. The table below illustrates the reported range of spend for each size of business. It should be noted that not all businesses had access to billing information at the point of interview. Consequently, not all were able to say exactly what their total spend was. For this reason, and due to the small size of the sample, the figures below should not be seen as representative of typical levels of spend.

⁴ Standard Industrial Classifications are a way of classifying businesses according to their type of economic activity.

Approximate Range of Energy Spend by Size of Business

Size	Lower Limit	Upper Limit
Micro	£2,500	£50,000
Small	£2,500	Up to £200,000
Medium	£5,000	Over £700,000
Large	£10,000	Up to £500,000
Very Large	£10,000	£1,700,000

Note on terminology

Throughout this report, we will refer to ‘larger’ and ‘smaller’ businesses. Larger businesses include those in the large and very large categories. Smaller businesses include those in the micro, small and medium categories.

It is important to note that differences in opinion and behaviour were not always associated with business size. Very often ‘energy dependency’ was a better determinant of opinion and behaviour than size. Energy dependency refers to the positioning of energy charges within the overall costs associated with the running of the business. Where we have defined businesses as being more energy dependent, energy was perceived to be one of the main costs to the business (perhaps within the top three items of expenditure) and resource (usually in the form of dedicated staff time) was assigned to the management of energy supply. Where businesses were less energy dependent, this was not observed to be the case. Energy was not perceived to be one of the business’s main costs and dedicated resource was not invested in its management. In the table above, those businesses at the upper spend limit of their size category were likely to be the most energy dependent.

2. Executive Summary

The research explored a number of areas, and some key themes emerged regarding the type and level of engagement businesses of all sizes and energy usage had with the energy market and, more specifically, their supplier:

- There were some barriers, in the form of complicated or unexplained information, which deterred or prevented those businesses that had lower levels of energy dependency from actively managing their energy use and their relationship with their supplier. This problem extended both to understanding of bills and ability to shop around and switch supplier.
- Few businesses were actively involved in managing their energy usage and there was an expectation that suppliers ought to provide more information about how businesses might modify their energy usage. More generally, there were calls for suppliers to offer more tailored, personalised support to businesses that recognised their circumstances and reduced the amount of time and resource they had to allocate to managing their energy supply.
- Along with this more personalised contact, there were calls for communications from suppliers to be simplified and transparent, particularly where contracts were concerned. Some businesses had also experienced problems with the service they had received from suppliers in the charges they had been given, and had been either overcharged or retrospectively billed.
- Larger businesses were more likely to make use of a third party intermediary to procure a supplier despite having greater levels of understanding of the energy market overall. Amongst smaller companies, there was suspicion of the motives of energy brokers. Almost all businesses agreed that a code of conduct for brokers would be a good idea.

2.1 Businesses' engagement with the energy market

There were a number of perceived obstacles that made effective engagement in the energy market difficult for businesses of all sizes. Some of these obstacles were readily recognised by businesses themselves, while others became apparent during discussion and were linked to the limited engagement some businesses had experienced in relation to their gas and electricity supply.

a) Understanding bills and tariffs

Overall, businesses reported low levels of understanding of their energy bills and tariffs, and consequently did not scrutinise their bills very deeply. Confusion stemmed from unfamiliar terminology, charges that were not understood, and the number of unexplained rates. Generally, there was a perception that information contained in bills was not transparent and there was suspicion that bills might even be deliberately opaque. Both larger and smaller businesses worried that their bills contained hidden charges that they should not be paying. As a result there were high levels of distrust of suppliers, and businesses were not always entirely sure what charges their bills included.

Understanding of bills was greater amongst larger businesses and those with higher levels of energy dependency. Many had taught themselves what different elements of their bills meant (for example terminology like 'standing charge' and 'climate change levy' and what exactly these charges applied to).

Understanding of bills was generally lower amongst smaller businesses and those with lower levels of energy dependency. There was often confusion about what exactly they had been charged for. If the amount was comparable to the previous month's bill, they simply paid it without question.

Where businesses showed a lack of understanding of the market or engagement with their energy supplier and the information they received from them, they expressed a desire for their supplier to play a greater role in rectifying this. This could be as simple as an explanation of the different tariffs or contracts, (for example how and when different rates applied at different times of the day). Businesses that had multiple sites requested that bills clearly indicate which readings apply to which sites.

b) Switching

Some common perceptions of the energy market emerged, which acted as barriers to engagement for businesses of all sizes:

- There was a general feeling amongst businesses that switching energy supplier was far more involved and complex than switching telephone or internet service providers.
- This perceived complexity was increased by the range of tariffs or contract options available.
- It was felt that the number of options and complexity of tariffs/contracts made it difficult to compare rates from different energy suppliers. Businesses were therefore not certain of the best deal for them.
- The complexity of tariffs sometimes meant that businesses did not always trust the rates they were quoted, and they were wary of price increases part way through a contractual period.
- Many businesses were of the view that there was very little difference between energy companies in the rates that they offered.

Larger businesses, and businesses whose operation was more dependent on energy, were more likely to have switched supplier in the past three years. Businesses that were heavily dependent on energy and where energy represented one of their most significant costs were more likely to shop around to try to obtain a competitive rate.

Some businesses commented that if switching would not guarantee a considerable financial saving, the staff hours and perceived "hassle" needed to switch would outweigh the benefits of exploring switching as an option. There was a perception amongst both larger and smaller businesses that being proactive within the energy market (through switching or analysing bills on a regular basis) would be quite time intensive. Where energy was not a primary concern for a company, there was a reluctance to allocate resource to look after the business' energy needs. The fact that many businesses perceive that there is very little difference in the rates offered by different suppliers meant that they did not see any incentive to invest time and energy in shopping around.

Some smaller businesses faced additional considerations when thinking about switching. For instance, where smaller businesses shared premises and energy supply with other businesses, negotiation and coordination was required before any attempt to switch could be made. In addition, smaller family-run businesses reported that where one member of the family favoured a particular supplier (perhaps because they had always used them) it could be difficult to convince them that there may be cost benefits to shopping around. If businesses could more easily see if and where financial savings might be made on their energy supply, it is likely they would be more willing to consider switching supplier.

c) Energy management

Almost all businesses claimed to have undertaken the basic ‘tick-box’ measures when it came to energy efficiency. This included using low energy light bulbs and encouraging staff to turn off equipment when it is not being used. A couple of larger businesses had looked into more advanced steps, for example, investing in solar panels.

Often, the reason for making changes such as these was to meet internal targets for reducing energy use or spend on energy. They did not seem to have been driven by any impetus from energy suppliers. Even when they had adopted energy saving measures, most businesses did not seem to be any more active in monitoring their usage, and were not always able to say whether the measures they had implemented (such as installing low energy bulbs) were cost-effective or having the desired impact.

A number of businesses (generally the larger ones) had installed smart-type⁵ meters on their sites, and some larger businesses did check information about their usage regularly online. Those whose energy dependency was greater said they dedicated a couple of hours a week to monitoring their usage, which tended to involve recording meter readings for the purpose of cross-referencing with bills. Smaller businesses were more inclined to admit that monitoring their energy usage was not a priority, as they had other sources of expenditure and priorities that took up their time.

Many businesses said they would like to see a breakdown of their energy usage on their bill in an easily digestible format such as a graph showing usage over time and perhaps usage across different locations, areas of a building or items of equipment. This type of information would be useful for businesses to work out how they might most effectively modify their energy usage.

However, not all participants wanted any additional information to be provided by their supplier. Those who were ‘less dependent’ on energy and many small and micro businesses often stated that they did not look at leaflets and other information already sent to them by their suppliers and were therefore unlikely to scrutinise detailed usage information. Critically, what these customers wanted was *simplified* information (on their bill).

2.2 Meeting businesses’ needs

Simplifying the information suppliers distribute to companies, and improving the lines of communication with businesses more generally, was something else non-domestic customers highlighted as an area where there was room for improvement. Some had negative experiences with regard to contract rollovers and errors in the charges they were given in their bills and felt these could have been avoided if there had been greater transparency and clarity in the information provided by their supplier.

⁵ Some businesses claimed that they had a meter installed on their premises that allowed them to access more detailed information about their energy usage. It was unclear, however, whether these were smart meters specifically. For the purposes of transparency, therefore, we have called these ‘smart-type’ meters where appropriate in the report.

a) Understanding the needs of businesses

Many of those working in larger businesses and those where energy dependency was greater said that they had quite low expectations of the customer service they would receive, and had negative experiences of customer service in the past. This was largely due to suppliers' lack of understanding these businesses' energy needs. It was perceived that there was little variation across the different suppliers in the standard of the service provided. Businesses did not generally experience suppliers doing anything more than simply supplying energy to them.

When asked how the customer service could be improved, those businesses that were more energy dependent but did not have access to a dedicated account manager suggested that this kind of service would be of use. This individual (or team of people) would be the business's point of contact, would develop an understanding of their business and energy needs and would be able to respond to their requests rapidly. They would also be in a position to: provide quotes tailored to businesses' circumstances; make recommendations to modify energy usage; offer advice to businesses when they require it and proactively contact businesses. Some commented that this would make the relationship with their supplier "less one-sided".

b) Communication

i. Contracts

Almost all medium, large and very large businesses had a contract and were aware this lasted between one and three years. Micro and small businesses were not always sure or aware that they had a contract with their energy supplier and also tended to be unaware that they might be paying more for their supply through 'out of contract' rates. These businesses were also uncertain about whether they could switch away from their incumbent supplier. Some businesses reported complications when they attempted to switch whilst in a contract with a supplier, and were surprised that they were tied in for a specified term.

One area where all businesses were dissatisfied was the lack of notification they received from their supplier in the run up to their contract renewal date. There was a perception that suppliers may deliberately fail to deliver renewal notifications. As a result, many businesses said they saw it as their own responsibility to be aware of expiry dates so they were not caught out by contract rollovers.

Larger businesses and those which were more dependent on energy were most likely to record and monitor contract expiry dates. Smaller companies were more susceptible to rollovers where they believed no notification of expiry was provided. The consequences of a contract rollover could be considerable, especially for smaller companies. In these cases, participants reported being shifted to a more expensive rate (either with or without warning that this could happen).

ii. Payment of bills

Receiving inaccurate bills that were based on estimated energy usage was one of the main complaints made by larger businesses, in particular for those that were more likely to pay attention to the contents of their bill. In some cases the estimated bill could be substantially higher or lower than the actual usage recorded by a business' meter. This occurred even where businesses' meters were read on a regular basis.

Where customers had been overcharged, the supplier's refund process seemed to be long and complicated, especially for those who paid by Direct Debit. The direct financial implications of bill errors were not often

seen to be severe, although this often depended on the size of the business. One small business pointed out that a series of inaccurate bills resulting in one huge bill containing a number of back-payments could be a “*financial fatality*”. Some felt they had “*probably*” been overcharged at some point in the past, but unless the sum had been considerable, they had chosen not to pursue it, due to the perceived amount of time it might entail. Businesses explained how much of an administrative chore it might be to pursue the matter with the energy company.

2.3 Third Party Intermediaries (TPIs)

Given the perceived complexity of the energy market and for some the difficulty in maintaining relationships with suppliers, a number of businesses said that they employed an energy broker.

A total of fourteen participants used a broker (i.e. about a fifth of the overall sample); the majority of which only used a broker for the purposes of switching supplier (or looking for deals). Only two businesses made use of a broker to manage their supply on an ongoing basis (and both businesses had multiple sites). The use of brokers was more concentrated among large and very large businesses, where six of the twelve were using brokers. This suggests that even for businesses that seemed to be more knowledgeable and informed about the energy market and their energy supply, (including businesses with dedicated finance teams to manage the energy supply), many did not feel able to manage the process of switching themselves, and felt more comfortable subcontracting this responsibility to third parties.

Those who used brokers saw them as vital to securing competitive prices. Crucially, they were said to provide businesses with an understanding of relevant tariffs and rates, knowledge of the range of suppliers available and saved businesses the time and effort of having to navigate the market themselves. In some cases, businesses had a relationship solely with their broker rather than with their energy supplier.

However, there was some confusion about how brokers earned their money and some of those who used a broker assumed that they were either paid by the supplier or took a cut from the deal they had arranged. The fact that understanding of how brokers’ fees are paid was inconsistent suggested that this information was not visible to businesses, and fed into some suspicion and distrust of brokers, largely amongst those that had not made use of them previously.

Those who did not use brokers (generally smaller businesses) tended to be more sceptical of them, and did not see what value a broker would provide. Some had also experienced energy brokers contacting them and using ‘scare tactics’ to encourage them to switch. Most interaction with brokers took place over the telephone, which did not foster a feeling of trust towards them.

Few knew that brokers were unregulated and thought a code ought to be in place for the sake of protecting businesses from some TPI practices. Participants felt that this code should include:

- Charges to be made clear upfront (specifically how commission is paid).
- A limit on the number of cold telephone calls they can make to businesses.
- Written communications to back up verbal conversations (to protect businesses).
- Brokers to supply a list of suppliers that they look at/work with.
- Brokers not to coerce businesses into making decisions (e.g. by calling months ahead of the renewal date trying to get businesses to consider shopping around for supplier).

3. Main Findings

3.1 Businesses' engagement with the energy market

Summary of Findings:

- **In general, businesses' engagement with the energy market was often low, especially among those whose energy dependency was lower. The main reasons for this were:**
 - **A disinclination to switch supplier, where energy usage was not one of a businesses' major costs (e.g. as in some smaller businesses), and the perception that there was often little incentive to do so.**
 - **Lack of understanding of bills and tariffs. Businesses did not think these were very accessible or easy to understand, and as such some gauged whether they were paying the right amount based on "gut feeling" or comparability with previous months' bills.**
 - **A pervasive feeling that energy companies deliberately made information (including tariff and price information) unclear, which eroded trust in suppliers.**
 - **Businesses' limited awareness of, and limited commitment to, modifying their energy usage.**
- **Engagement tended to be lowest among smaller businesses, and those who were less energy dependent.**

There were a number of reported obstacles to businesses actively engaging with the energy market. Some of these obstacles were recognised by businesses themselves and others were evident through the limited activity some reported in dealing with their gas and electricity supply. These obstacles had a clear effect on the relationship between businesses and suppliers and included:

- businesses' lack of understanding of bills and tariffs,
- their tendency not to review their energy supply regularly and search for more competitive deals, and
- their limited implementation of measures to modify their energy usage.

a) Understanding of bills and tariffs

Overall, businesses reported low levels of understanding of their energy bills and tariffs, and consequently did not scrutinise their bills very closely. Understanding seemed to be higher amongst both large and small businesses that were more dependent on energy (i.e. for whom energy was a relatively high cost). A number of smaller businesses, however, expressed confusion about various aspects of their bills, including the terminology used, and the different rates they had been charged. Some did not understand how the 'day' and 'night' rates functioned and at what times they came into effect; some saw that they had been charged a 'climate change' levy, or that their bill contained something called a 'Reactive Power

Adjustment', but were not sure what these charges were for. Only one company had contacted their supplier to attempt to understand this terminology. Another company had contacted its energy broker for an explanation of these terms.

The extent of misunderstanding that could arise in relation to bills can be illustrated by the experiences of one Glasgow based participant. The participant brought her business's energy bill to the interview, during which it became evident that she did not know what she was being charged for. The bill was for over £700 and the participant believed this represented her usage over the previous month (at around £30 a day). On closer inspection it emerged that the monthly usage was in fact around £150 and that the remainder of the bill represented previous charges from unpaid bills. The participant had no previous awareness that this was the case until attending the research interview.

"I think I'm paying £30 a day for electricity ... No, I don't understand it ... Well I had a bill I couldn't pay and I moved onto the card [NB the customer was provided with a charge card she could use to pay her bill] ... The bill is £700 but £600 of that is what I owed from another bill."

[Micro, Customer Based Industries]

Both large and small businesses had complaints about the length of their bills (which could be several pages long and which one small business customer referred to as a "magazine"), which made them daunting to look over and difficult to follow. This was even more pronounced where businesses consisted of multiple sites and the energy usage of each had to be calculated separately. Bills often only listed the serial numbers of meters (rather than its location, for ease of reference) and did not always indicate which site the information contained on a given page related to.

Most customers did not think the information contained in their bills was transparent. Some businesses worried that their bills contained numerous hidden charges that they should not be paying.

"Transparency is a great equaliser when you don't have knowledge... if something is easy to understand and it's transparent you can very quickly get your head round it..."

[Micro, Professional Services]

"You sign up for that and before you know it you're involved in something that sounded cheaper and when all these complicated bills come through you are [paying] 20% extra... it is hidden charges and the different types of rates and tariffs that go with afternoons and nights..."

[Large, Manufacturing, Transportation & Storage]

Given that some businesses found it hard to understand their bill, their ability to check that it was actually correct proved difficult. A few larger businesses said they had to teach themselves what different aspects of their bills meant in order to work out whether they were paying the correct amount. Some had also set up their own spreadsheets to keep track of their businesses' energy usage (for some, this was across a number of different sites). Larger businesses and those who consumed higher levels of energy were more likely to check their bill thoroughly. They would compare the stated meter readings on the bill with those on the meter itself. Half-hourly metered electric customers and monthly metered gas customers were also more likely to monitor usage closely. Smart-type meters were also seen as helpful in this regard, especially where they were linked to online account information. It should also be mentioned that larger businesses were more likely to have dedicated financial departments or teams handling their energy bills. They therefore found it easier to 'decode' what the various charges were for.

“I had to write up a spreadsheet to make sure that we could compare the actual cost over a certain time period, as opposed to just looking at the deal they are giving.”

[Very Large, Manufacturing, Transport & Storage]

Smaller businesses and businesses with a low level of energy dependency simply made sure that the amount they were being charged was not significantly higher than the previous month/quarter, or went on “gut feeling”. For some, energy costs were simply not prioritised given their relatively low value compared to other costs, (such as rent, IT and telephony). They also did not have the time or resource to thoroughly check and interrogate each bill.

“When the bill comes in I check it and if it’s more or less the same as the last one, that’s it.”

[Medium, Utilities, Construction & Agriculture]

Businesses of all sizes of business reported limited engagement with their bills for the reasons outlined above. However, it was clear through discussions that this could be improved. Where businesses showed a lack of understanding of the market or engagement with their energy supplier and the information they received from them, they expressed a desire for their supplier to play a greater role in improving this. A number of suggestions were made as to how bills might be improved to make them easier to understand, and clearly display all the information that would be useful to businesses. In many instances, this could be as simple as an explanation of the different tariffs or contracts, (for example how and when different rates applied at different times of the day). It was suggested that this might be in the form of a glossary on the back of the bill. Businesses that had multiple sites requested that bills clearly indicate which readings apply to which sites.

“[They should be] breaking down what ... you are paying for, what you aren’t paying for, when your contract expires, when it started... More about what this climate change levy is... They could tell you what things are on the bill.”

[Micro, Customer Based Industries]

b) Switching

Businesses’ lack of engagement with the energy market was demonstrated further in their attitudes to switching energy supplier. Here, some common perceptions of the energy market emerged, which acted as barriers to businesses shopping around or considering switching their supplier.

- There was a general feeling amongst businesses (although more so amongst smaller businesses) that switching energy supplier was far more involved and complex than switching other utilities.
- The range of tariffs or contract options available was felt to contribute to this complexity.
- Because of the perceived high number of options and different types of tariffs available, it was considered difficult to compare rates between different energy suppliers. Businesses were therefore not certain what options were available to them, or which one represented the best deal for them.
- The complexity of tariffs sometimes meant that businesses did not always trust the rates they were quoted. They were also wary of price increases part way through a contractual period.

- Many businesses considered that there was very little difference between the rates that different suppliers were offering.

Larger businesses, and businesses that were more dependent on energy, were more likely to have switched supplier in the past three years than other businesses. These businesses were also more conscious of their energy supply costs and were therefore eager to obtain a competitive rate. One of the more engaged businesses (which regularly reviewed its costs and competitively tendered its energy supply) was a micro-business that spent £3,500 a month on electricity. This suggests that the size of business measured by the number of employees may not be a reliable indication of market engagement. Energy dependence, understood in terms of the significance of energy costs in comparison with other direct costs to the business, may be a more reliable indicator of the propensity to switch, engage with and understand the energy market more generally.

Across businesses of all sizes, cost was frequently the most important concern when considering switching supplier. However, businesses were frequently confused by tariffs and found it difficult to make like-for-like comparisons to determine which supplier was offering them the best deal. The perceived lack of transparency around tariffs or contracts could directly influence businesses' decisions as to whether to consider switching.

Some businesses commented that if switching would not guarantee a considerable financial saving, the perceived "hassle" involved in choosing a new supplier would outweigh the benefits of exploring switching as an option. Where businesses perceived that there was little difference in the rates offered by different suppliers, they did not see an incentive to invest the time and energy into shopping around. This view was most pronounced amongst small and micro businesses that were least likely to have dedicated resource to obtain quotes, understand tariffs, make price calculations and procure a supplier, and saw the prospect of shopping around as time consuming and therefore expensive to the business. Given the relatively low usage of energy amongst these companies, it was not a matter they engaged with to any great extent.

"It's just time consuming. You think it will be simple and it's not. They promise you it will run smoothly and then they miss something off. Then you have to find the person, if you remember to take a name, and what that person promised you."

[Small, Customer Based Industries]

In contrast, larger businesses that consumed greater amounts of energy could see considerable savings in the amount they paid on a monthly basis even if the cost per unit difference was small. There was more of an incentive for businesses that consume greater amounts of energy to look for cheaper rates.

"We do look at all factors, but ultimately cost has to be the primary factor... ultimately in a rising market it does impact on our budgets. If somebody is offering us half a pence cheaper than their next nearest rival, then we have to seriously look at that."

[Very Large, Customer Based Industries]

Where businesses attempted to shop around and switch supplier, they were likely to adopt one of several approaches. One was simply to transfer the responsibility to an energy broker (which is described in greater detail in Chapter 3.4). Some businesses tried to compare rates online others put their energy supply out for tender. In all of these instances, the process was often seen as complicated and time consuming. Two businesses said they had been fortunate in 'stumbling across' some useful comparison sites, but the majority of the businesses that had tried to compare rates online reported it was difficult to obtain like-for-like quotes, or even quotes that were all-inclusive. Others had issues obtaining online quotes that fitted

with the individual business's energy needs (for instance, if the suggested tariffs did not appear to be relevant to their business' circumstances).

One medium-sized business contrasted obtaining commercial quotes with domestic ones, where there was the option to enter various details about the home and a quote provided with all those details taken into consideration. The participant was frustrated that no such facility existed for non-domestic customers, and that it was incredibly difficult to obtain like-for-like quotes to compare suppliers.

Whilst difficulties in making a comparison were enough to prevent some businesses of all sizes from attempting to switch, others were put off by the prospect of something going wrong during the switching process. If this were to happen, there was a belief that their business might be left without gas or electricity. Fewer smaller businesses and larger retail/office-based businesses had switched energy supplier in the past three years in comparison to other businesses. These businesses often reported that they felt energy did not represent one of their major overheads and they perceived themselves as being less energy dependent. Across the board, some businesses admitted that IT, telephone and rental charges (and even things like Council Tax) exceeded their energy costs and that energy was not their priority in terms of reducing costs.

Another factor in smaller businesses' switching considerations was if they shared premises with another company, or if the business was a family one. A consensus to switch had to be made before a new supplier was selected. Where this was the case, smaller businesses said that the negotiation required often prevented them from making the decision to look around for an alternative supplier. Furthermore, if other expenses within the business were greater and their energy bills had not shown very much fluctuation in recent months, they were generally happy to think they were receiving a good enough deal already.

"It's mainly electric that we're paying. I've just never looked at it. I've never seen it as something that's too expensive to pay... The only thing that I would look at is cutting staff if we were to start making less money."

[Small, Customer Based Industries]

It would appear that, if businesses could more readily see where savings might be made, they might adopt a different approach to switching their supplier. Some admitted that they felt ill-equipped to switch, given the apparent complexity of pricing structures, and did not approach the task with the same confidence as they would for other utilities. For instance, one small company said that they expected to have to haggle with their mobile phone service providers, but because of their lack of understanding of the energy market, they would not know what they "were haggling with" and did not feel confident that they were in control of the switching process.

c) Energy management

Almost all businesses claimed to have undertaken the basic 'tick-box' measures when it came to energy efficiency. This included using low energy light bulbs and encouraging staff to turn off equipment when it is not being used. A couple of larger companies said that they had looked into taking more advanced steps to increase their energy efficiency. Three of the most energy dependent companies had taken this sort of action in recent years by installing solar panels [Manufacturing, Manchester], more efficient lighting systems [Professional Services, Glasgow] and more efficient air conditioning systems [Professional Services, London]. Often though, the reason for making changes such as these was to meet internal targets for reducing energy use or spend on energy, rather than a proactive prompt from energy suppliers. Even more importantly, after installing energy efficient measures, businesses did not seem to be any more active in monitoring their energy usage. Almost all those businesses that had recently made changes were unable to say whether the measures they had implemented were cost-effective, or if they'd had the desired impact

on their energy usage. Similarly, other companies were not sure what other measures they might take in order to conserve their energy, and were not sure where they would be able to obtain advice on the matter.

A number of businesses had installed smart-type meters⁶ on their sites, and some larger businesses did regularly check their energy usage online. Those whose energy dependency was greater said they dedicated a couple of hours a week to monitoring their usage, which tended to involve recording meter readings for the purpose of cross-referencing with bills. Where smart-type meters were used, businesses felt better equipped to manage their energy more efficiently, as well as being better placed to review their bills and charges. Beyond this, two companies (both very large) did report using external organisations (a meter provider and a web-based application provider) to monitor energy usage across their different sites, to help them control their use and spend. One medium sized-business, reported that it did have a smart meter installed by an energy supplier, with the promise it would result in the business's bills being more accurate. Subsequently the business continued to receive estimated bills and the consumer was unclear about what the benefit of having this meter could be. Other businesses (ranging from micro to medium-sized) confessed that they did not know what they were meant to use their smart meter for, and the benefit of having one had not been explained by their supplier.

A number of businesses said they would like to see a breakdown of their energy usage on their bill. They would prefer a visual representation in the form of a graph showing usage over time and perhaps usage across different locations, areas of a building or items of equipment. Ideally, this would be provided online, much in the way that usage information from smart-type meters was available at present. This type of information would be useful for businesses to work out where their greatest energy consumption was within the business and take steps to address this.

"I do everything online, but if you could go online and say, how much is this costing me to run and how much is that costing me to run, [that would be good]."

[Micro, Manufacturing, Transportation & Storage]

Some businesses specifically requested tailored advice about what they could be doing to reduce energy consumption. This advice could cover everything from usage patterns and tariffs, through to the efficient installation and use of equipment and renewable generation such as solar panels or wind turbines. It was felt that suppliers should offer this service, given there is little awareness currently about where to go to get impartial advice about renewable sources of energy. This approach may also assist in building trust between suppliers and their customers, and help businesses engage more in the energy market.

Smaller businesses were more inclined to say that monitoring their energy usage was not a priority, as they had other sources of expenditure and priorities that took up their time. Often they might make a top-level comparison of the current month and previous month to make sure the consumption figures were roughly similar, but often this was more related to monitoring costs than energy usage.

"Making the stuff, getting employees in the morning... buying materials, selling the stuff, just everything else is priority."

[Micro, Manufacturing, Transportation & Storage]

⁶ Some businesses claimed that they had a meter installed on their premises that allowed them to access more detailed information about their energy usage. It was unclear, however, whether these were smart meters specifically. For the purposes of transparency, therefore, we have called these 'smart-type' meters where appropriate in the report.

However, in line with the lack of engagement some businesses had with their bills, not all participants wanted any additional information to be provided by their supplier. Those who were 'less dependent' on energy and many small and micro businesses without dedicated financial teams showed clear resistance to the idea of receiving more information from suppliers.

These participants often stated that they did not look at leaflets and other information already sent to them by their suppliers and were therefore unlikely to scrutinise detailed usage information. Critically, what these customers wanted was *simplified* information (on their bill) rather than *more* information from their energy supplier.

"I don't want more from them. I barely have time to look at the bill ... And the leaflets just end up in the bin."
[Micro, Manufacturing]

For some businesses, however, the potential for more proactive contact and advice from suppliers was seen as helping cut down on the paperwork that might accompany their bill, as well as the amount of time and resources required to monitor their energy usage.

3.2 Meeting businesses' needs

Summary of Findings:

- **Due to the lack of engagement with the energy market experienced by many businesses, there was a feeling that suppliers should make it easier for businesses to engage by being more transparent: currently the information businesses were receiving from suppliers was often seen as insufficient, difficult to understand, or simply incorrect. There was little trust in the motives of energy suppliers as a result.**
- **Generally, businesses felt there was scope for a more personalised service from their suppliers. This could be in the form of dedicated account managers and informed customer support teams.**
- **There was also scope for improvement with regard to the communication between suppliers and business customers about contracts and bill calculations. Some businesses experienced complications as a result of a breakdown in communication regarding the details of their contract and/or renewal notice. Due to errors in calculating bills, some businesses had to arrange for refunds or significantly higher sums to be paid, which consumed both time and resources.**

When asked what kind of service they would like to receive from their suppliers, many of those working in larger businesses, or those whose energy dependency was higher, said that they had quite low expectations of the customer service they would receive. This was largely due to suppliers' lack of understanding these businesses' energy needs (if a business had multiple sites, for example, or a particularly high demand for energy). There was little perceived variation across the different suppliers in the standard of the service provided. They did not see the role of the supplier extending beyond simply supplying them

with energy. Some businesses felt that suppliers needed to be more proactive and personal when communicating with their customers.

a) Understanding the needs of business customers

The level of service that many businesses claimed they currently received from their suppliers was reported to be less than satisfactory. Some (both large and small) said it was what they had “*come to expect*” and many felt that suppliers neither understood nor acknowledged businesses’ needs. A number of businesses said that they did not even always receive ‘the basics’ from their suppliers (including renewal notices, information about their contracts, and accurate bills), and so the onus fell on them to keep on top of this. A typical example where businesses felt their needs were not understood or met by energy suppliers was when businesses rang their supplier with a query. Many of these reported getting through to a call centre and being referred to numerous people, each of whom were either unable to answer the business’ query or did not have the necessary information about the business to hand. At each stage of being referred to somebody else, businesses would have to explain their problem and their business’s situation (if they had multiple sites or particular usage needs, for example).

Some businesses also complained that, despite requesting specific information, or explaining their business’s circumstances, suppliers made no attempt to provide a service or information that would be beneficial to the specific needs of the business. One medium sized business with an annual spend of £700,000 on electricity said that its energy supplier did not seem to recognise that the business had different needs to other medium-sized businesses because its energy usage was so high, and that the supplier had shown no willingness to visit the site and assess the business’s energy use and needs. It said all it wanted was for “*someone to take a more tailored approach to us.*” There was also concern that energy suppliers would not be able to provide appropriate advice for the business if they did not acknowledge or understand its circumstances.

“It’s all about building a relationship and it’s all about loyalty. If you heard that somebody is looking out for you, you will be more tempted to keep with them.”

[Medium, Professional Services]

When asked how the customer service offered by energy suppliers could be improved, the topmost response given spontaneously by almost all participants was a dedicated account manager who understood their business and was able to respond to their issues rapidly. While most very large businesses did have individual account managers, the vast majority of all businesses interviewed did not. Businesses who were more dependent on energy (i.e. paid more as a proportion of their overall business costs) often requested dedicated account managers or account teams who understood their business and were able to respond to their issues rapidly.

Ideally speaking, it was felt that this account manager would have a detailed understanding of the business’s operations, energy consumption, and number of sites and products that might be beneficial to the individual business. They would also be available to proactively offer advice to businesses. Face-to-face contact was mentioned as important by some businesses. Some commented that this would make the relationship with their supplier, “*less one-sided*”. Some businesses commented that they would feel more inclined to contact their energy supplier with queries if they had a dedicated account manager who understood their business needs.

“What I would prefer is to have an account manager who understood my industry... what I would have liked is for someone to have come out and talked me through what my requirements were....”
[Medium, Professional Services]

It was felt that a facility of this kind would make energy suppliers look more transparent and make businesses feel more inclined to trust them. In recent years, as the price of energy has increased, businesses would appreciate any recognition of the financial pressures under which they operate. A couple of higher spending businesses did suggest that they might pay more for better account management.

b) Communication

i) Contracts

In addition to the lack of personal contact they received from their supplier, businesses also complained that they did not receive renewal information, and on occasion there were issues with bill payments. In these instances, it fell to the businesses themselves to attempt to remedy the situation, which could be both time consuming and costly for the business.

Almost all medium, large and very large businesses had a contract and were aware this lasted between one and three years. Micro and small businesses were not always sure or aware that they had a contract with their energy supplier. These businesses tended to be either office-based or retailers and were most likely to be micro businesses. Businesses without a contract (or those who did not know whether they had a contract or not) were not always aware that they might be paying more for their supply through ‘out of contract’ rates. These businesses were also uncertain about whether they could switch away from their incumbent supplier. Some businesses reported complications when they attempted to switch whilst in a contract with a supplier, and were surprised to learn that they were tied in for a specified term. For example, two small businesses reported being prevented from switching because of being tied into a contract they did not know they had. There was discussion about whether businesses could buy their way out of a contract and the costs associated with this, though no businesses reported attempting to do so.

One area where all businesses were dissatisfied was the amount of information they received from suppliers leading up to and including contract renewal. It was quite common for participants to admit they did not know the date on which their contract would come to an end. However, there was a perception that suppliers generally failed to deliver renewal notifications and this was frequently reported in all locations. There was a general belief that this was done deliberately to work to the suppliers’ advantage (because the customer would be placed on more expensive rates). As a result, many businesses said they saw it as their own responsibility to be aware of expiry dates so they were not caught out by contract rollovers. Ideally, participants wanted up to three months notification so they could shop around for a competitive rate. At this stage, businesses would begin considering alternative suppliers and potentially, obtaining quotes. Some business reported that they would leave this task to their energy broker (where they used one).

“For me, the biggest problems are the fact that energy companies seem to be... very cagey when it comes to renewals and they are very clever in how they do it and they get people onto deemed rates and they don't keep in touch with customers when they are due for renewal.”
[Large, Utilities, Construction & Agriculture]

Larger businesses and those which were more dependent on energy were most likely to record and monitor contract expiry dates, in comparison to smaller businesses. However, two of the larger companies admitted experiencing contract rollovers in the past. Smaller companies were more susceptible to rollovers where they believed no notification of expiry was provided.

The reported consequences of a contract rollover could be considerable, especially for smaller companies. In these cases, participants were shifted to a more expensive rate (either with or without prior warning that this could occur).

“A lot of people don’t realise that they (the suppliers) don’t notify you at all... in my experience they never have... this is why you forget, because you just think... I have got electricity... then all of a sudden it is hiked up in price... things happen and you realise you have rolled into the next year.”

[Micro, Customer Based Services]

“Occasionally we suddenly see a price rise as we have not been paying attention to negotiation dates and are put immediately on a high tariff.”

[Large, Customer Based Industries]

ii) Payment of bills

Estimated and inaccurate bills were one of the main complaints made by larger businesses, in particular those that were more likely to pay attention to their billing details. In some cases the estimated bill could be substantially higher or lower than the actual usage recorded by a business’s meter. In other instances, suppliers realised that a business had been undercharged for a period of time, and would issue a considerably higher bill to cover the shortfall. One construction company in Glasgow was back-billed for £5,000 based on months of under estimated readings, despite meter readers visiting the building each month. While the supplier was reasonably flexible in working out a repayment deal, no apology for the failure to accurately record a meter reading was offered.

“We had seen the man come and take the reading... but there was no apology about that from [the company]. We just had to lump it for six months and pay it back.”

[Small, Utilities, Construction & Agriculture]

Where customers had been overcharged, the supplier’s refund process seemed to be long and complicated, especially for those who paid by Direct Debit. Most larger businesses reported that they paid for their energy using this method. Where bills were challenged and found to be incorrect, businesses that paid by Direct Debit had to have their bill reissued and a credit note written, which could be a longwinded process. Retention of credit was also a concern for many of those who had been overcharged. One business explained that, after querying a bill where it had been overcharged, it received a credit note but was not notified that this money had been credited back to its account:

“Our previous supplier overcharged us. We paid by direct debit and went way over. In the end we did get a credit note for it but we weren't notified at any point that we were vastly over in credit on the account. They just let it sit there. So when it came to cancelling we said, ‘Actually we would like that credit back now’. In the end we got it back, it was an unnecessary flap. I don't think we should have got to the stage where we were 6-7k in credit. It took a lot of emailing to and fro to find out our account manager and get it sorted.” **[Very Large, Customer Based Industries]**

In general, the direct financial implications of bill errors were not often seen to be severe, although this often depended on the size of the business. One small business pointed out that a series of inaccurate bills resulting in one huge bill containing a number of back-payments could be a “*financial fatality*”. Some felt they had “*probably*” been overcharged at some point in the past, but unless the sum had been considerable, they had either not noticed it or had chosen not to pursue it, due to the perceived amount of time it might entail. Businesses explained how much of an administrative chore it might be to pursue the matter with the energy company. A few participants said they had received very poor customer service in situations where they had pursued billing problems. They talked about being on hold to call centres for long periods, always speaking to different people who did not have a clear understanding of the situation and not getting their claim resolved quickly and easily.

3.3 Third Party Intermediaries

Summary of Findings:

- **Use of energy brokers was most concentrated amongst larger businesses.**
- **Brokers were used mainly when switching suppliers. Those that used them considered that they held specialist knowledge that enabled them to do this effectively on a customer’s behalf. They also acted as a main point of contact for dealing with queries and negotiating with suppliers where necessary.**
- **Businesses that had not used a broker were sceptical about their value in the market place. These businesses also tended to be negative about brokers’ intentions and their conduct. This was also the case for businesses who were plagued with telephone sales calls from brokers.**
- **There was some surprise that energy brokers did not have an accredited code of practice and all businesses thought there ought to be one to protect businesses.**

A number of businesses said that they employed an energy broker. For some, it was because they perceived the energy market was complex or because they had a rather weak relationship with their supplier. Others said they understood why some businesses used a broker even if they themselves did not. They appreciated that a broker could look for competitive rates when businesses considered switching (and to notify businesses when they ought to be considering switching) and they could handle any day to day queries on the business’s behalf.

A total of fourteen participants used a broker, accounting for around a fifth of the overall sample. The majority of these only used one for the purposes of switching supplier (or looking for deals). Only two businesses made use of a broker to manage their supply on an ongoing basis. Both of these businesses had multiple sites to manage. The use of brokers was more concentrated among large and very large businesses, where six of the twelve employed one.

This suggests that although they were large businesses and potentially savvier about the energy market (showed greater understanding of tariffs and were more involved in monitoring their energy usage), they did not find the process of switching particularly easy to manage. Even where they have dedicated finance teams, some larger businesses felt more comfortable subcontracting to a third party. Comparison of rates and looking for deals was most difficult for larger businesses where multiple sites were used, particularly where different suppliers were used across these sites.

“I would say that dealing with energy suppliers is more difficult than switching, say, mobiles which we tend to do in-house.”

[Very Large, Manufacturing]

“We use a broker who looks at all the tariffs and he looks at all the consumption, he does all of that for us.”

[Large, Utilities, Construction & Agriculture]

It is also possible that these larger businesses tended to use brokers because they believed that they were better informed as to what was happening in the market and were seen as vital to securing competitive prices. Crucially, they were said to provide businesses with an understanding of relevant tariffs and rates, knowledge of the range of suppliers available and saved businesses' time (because they would not have to spend time navigating the market themselves). Another reason they were valued was that brokers offered businesses a single point of contact. It was felt that the broker could develop an ongoing relationship with the business and through this develop a sound understanding of the business's needs and circumstances. Therefore they provided an attractive alternative to dealing with multiple suppliers. Brokers were also seen to be better connected with energy companies than businesses and could talk to 'the right people' when trying to obtain the best rates.

“I think the main reasons for using a broker were: one, it is quite a time consuming exercise; secondly, you go to these suppliers and in some cases you haven't got your own connections... I could probably go to certain people at [Supplier X] and certain people at [Supplier Y] who we have used previously, but it is quite difficult for me to go to all these different companies and ask them to submit their prices.”

[Small, Utilities, Construction & Agriculture]

However, there was some confusion about how brokers earned their money and some of those who used a broker did not know how they charged for their services. For example, some assumed that they were paid by the supplier or took a cut from the deal they had arranged. One micro manufacturer who regularly used a broker assumed that the fee was paid by the contracted supplier. Others assumed brokers' charges were subsumed into the overall energy costs paid to the supplier.

“How do they make their money? Is it from commission from the suppliers or do you have to pay them a fee?”

[Small, Utilities, Construction & Agriculture]

In general, smaller business that did not use brokers tended to be more sceptical of them. They thought they might be very expensive and that brokers did what they could do themselves (if they were so inclined), or at least did not do anything that warranted an additional, perhaps considerable, payment. A small number of participants reported concerns about brokers using 'scare tactics' to encourage businesses to switch. There was also some concern regarding:

- the level of sales calls businesses received from brokers,
- brokers posing as existing suppliers to initiate a sales conversation,
- new brokers posing as a business's current broker in order to get their custom, and
- brokers sending unsolicited documents for businesses to sign to get them to switch supply.

“We have had a number of energy brokers contact us but I think there is a massive cynicism there. Why do they want to help us? And they always seem a little bit iffy in their approach and the shutters immediately come down when I am confronted with that sort of person unfortunately. And then they start to get over-familiar. I would prefer to look at it myself and get all the savings.”

[Small, Manufacturing]

“I’ve had the situation where a broker has phoned me pretending to be our own broker and that is really unethical. Or phoning to say that they are phoning on behalf of [our supplier] about our renewal so we got to the stage where they almost fooled us and now that’s absolutely unethical.”

[Large, Agriculture]

Many businesses were faced with high levels of sales calls from energy brokers and wanted these to be minimised as far as possible. They were therefore rather resistant to additional sales calls from brokers, especially where these were seen to be invasive. The frequency of these calls actually made businesses feel less inclined to believe that any broker could actually secure them *the* best deal. The fact that most interaction with brokers took place over the telephone meant that some non-users felt less likely to trust them. These businesses had no confidence or certainty in who they were speaking to, and disliked the feeling that they were dealing with a faceless entity.

Some brokers also seemed to have access to information about the business in question, such as how much they were currently paying for their energy use. This was disconcerting for participants, and they did not think they should have had access to this level of information.

A few participants knew that energy brokers were not regulated. However, many assumed they were regulated in line with brokers of other services, such as Independent Financial Advisors. Many of those who were currently using brokers were not aware of this and had not thought about the implications prior to taking part in the research. On reflection, users of brokers could see that a lack of regulation might mean they did not have a means of redress if they were mis-sold products. Many participants thought there should be some regulation of brokers, so that if they or other businesses experienced poor service or needed to make a complaint, there would be a formal process in place.

On consideration, participants felt that a code of practice for energy brokers was a good idea, and made recommendations as to what ought to be included in such a code. These included:

- Charges to be made clear upfront (specifically how commission is paid).
- A limit on the number of telephone calls brokers were able to make to businesses.
- Written communications to back up verbal conversations (to protect businesses).
- Brokers to provide a clear list of suppliers from which they obtain quotations.
- Clear rules to prevent brokers coercing or rushing businesses into making decisions.

Again, comparisons were drawn with Independent Financial Advisors (IFAs). It was well known that IFAs had to pass exams and gain accreditation in order to deliver financial advice. It was generally believed that energy brokers should have to face the same sort of qualification process before they were able to advise businesses. Accreditation was seen as a way of avoiding ‘rogue’ brokers (i.e. those who might pose as energy suppliers) and ensuring all players in the market were legitimate.

One participant said he sought to use informally accredited brokers by only using those recommended by the purchasing group he was a member of. He saw this recommendation by a recognised body as an indication of a broker's legitimacy.

"I'm a member of [purchasing group] and they do have a section on energy buying and they have some current information and have a list of [brokers] ... So I can always use them and I do tend to use that as a reference site."

[Medium, Customer Based Industries]

There were mixed perceptions, therefore, about how useful or valuable a broker might be to a business in procuring a supplier or managing their energy supply. Some businesses certainly saw merit in not having to invest vast amounts of time and effort in interrogating the market. Even those who had a better understanding of the market were inclined to think about using a broker. For some of these businesses, they saw their relationship as being with the broker rather than with the supplier – mainly because their broker was their main point of contact and source of help if they had an energy query. For those who were less knowledgeable and struggled with understanding and maintaining their energy supply, brokers were another 'unknown' that businesses were unwilling to trust, and were not regarded as a resource that might be able to help them.

4. Summary of Findings

In thinking about how to address the problems that were identified in the Retail Market Review up to this point, this research has explored a number of areas surrounding how non-domestic customers engage and interact with the energy market.

Businesses with higher levels of energy dependency tended to have greater understanding of tariffs and were also more involved in monitoring their energy usage. Even some of these businesses, however, along with those whose energy dependency was not so high, complained about a lack of transparency where tariffs were concerned. This perceived lack of transparency had consequences for businesses’ perceptions of energy suppliers (i.e. a suspicion that they were simply self-serving) and precluded some businesses from being able to easily compare rates and switch supplier with confidence. This issue could be addressed through clearer information in bills; simplified information that provides businesses with an understanding of their energy usage; and a degree of proactive contact from suppliers themselves, with information relevant to the specific businesses’ circumstances and needs. Whilst this clarity and transparency was missing, some businesses experienced complications in the form of contract rollovers and also poor service through incorrect bill charges.

Smaller businesses in particular showed lower levels of understanding of the energy market and similarly lacked understanding of the role of third party intermediaries. Many within this group harboured mistrust of brokers and tended not to use them to procure their energy supply. Given the difficulties smaller businesses also expressed with regard to shopping around and switching supplier, this meant there was a lower propensity to switch overall within this group.

Theme	Main Findings
<p>The amount and kinds of information businesses received, and whether businesses considered this to be sufficient.</p>	<ul style="list-style-type: none"> • There was a tendency for businesses to feel that information provided by suppliers was difficult to understand and, in some cases, incorrect, perhaps even deliberately so. There was little trust in the motives of energy suppliers as a result, and a perception that the energy suppliers are not business friendly. • Information and communications from suppliers – especially bills – could be clarified to enable businesses to understand the rates they are paying, what they mean, and double check how the amount of their bill has been reached. Generally, businesses did not think their bills were easy to understand. • A number of businesses did not receive information from their supplier about their energy usage, which left them unconfident about taking steps to modify their practice. There was some feeling that energy companies deliberately made information unclear, which eroded trust in suppliers. • Some businesses complained that they did not even receive ‘basic’ information, such as notice for them to renew their contract with their supplier – or even dates specifying the term for which the contract lasted. • Some businesses felt energy suppliers had been unaccommodating in providing tailored information. Others said they had often experienced issues with regard to their bills (which tended to be estimates) which resulted in businesses having to arrange for refunds or significantly higher

Theme	Main Findings
	<p>sums to be paid. This was both time and resource intensive.</p>
<p>Switching experiences and expectations.</p>	<ul style="list-style-type: none"> • There was greater disinclination to switch supplier where businesses were less energy dependent, and a perception that there is often little incentive to switch. Engagement tended to be lowest among smaller businesses, and those who were less energy dependent. • There was a general feeling amongst businesses that switching energy supplier was far more involved and complex than switching telephone or internet service providers. This complexity was increased by the range of tariffs available and the difficulty in comparing rates from different energy suppliers. Consequently, many businesses were of the view that there was very little difference between energy companies in the rates they were offering. Given the complexity of tariffs, businesses did not always trust the rates they were quoted and were wary of price increases part way through a contractual period. • Larger businesses (who were more likely to switch) would often use an energy broker to procure a supplier (despite their propensity to be savvier about the energy market). This further supports the idea that exploring the market and shopping around is difficult for businesses to do themselves, and requires a lot of time. • Brokers were regarded by those who made use of them as holding specialist knowledge that enabled them to navigate the market effectively.
<p>Measures taken by businesses to monitor their energy usage, how active they are in the energy market, and in their relationship with their supplier.</p>	<ul style="list-style-type: none"> • At present, the majority of businesses interviewed showed limited commitment to modifying their energy usage and were only taking basic steps to do so (such as ensuring equipment was turned off). Nevertheless, most felt that more detailed data about their energy use (e.g. through 'smart'-type meters) would be beneficial in helping them to understand their use and take further steps to modify it. • In particular, those with higher levels of energy usage or multiple sites said they would appreciate more detailed information from their suppliers to help them monitor their energy usage over different sites. • There was also a strong feeling amongst businesses that suppliers could provide advice on how they could take steps to become more energy efficient and reduce their energy usage and spend (for instance, through more accessible usage information or guidance on renewable energy). This would give energy suppliers a more positive reputation, and businesses would feel suppliers were acting in their customers' interests. • Use of energy brokers was most concentrated amongst larger businesses. There was scepticism amongst those who had not previously made use of energy brokers, and these businesses questioned whether they were really that valuable a resource. There was also more negativity towards the intentions of brokers and their conduct by those who had not ever used one. This was also the case for businesses who were plagued with telephone sales calls from brokers. • There was some surprise that energy brokers did not have an accredited

Theme	Main Findings
	code of practice and all businesses thought there ought to be to protect businesses from bad practices.
The importance of customer service to business customers, what customers expected, and what they actually received.	<ul style="list-style-type: none"> • Better information about contracts was a clear requirement of customers. Proactive information from suppliers about whether a business had a contract was requested and earlier notification of renewal dates in advance of the end of the contract term was also requested. • Some businesses, generally those with lower levels of energy dependency, did not feel able to engage with the energy market and so need suppliers to be more transparent and approachable. In some instances, businesses had to take the initiative and either try to work out their contract themselves or contact their supplier with a query. Only a few businesses were prepared (or felt they were in a position) to do this. • It was important for businesses that suppliers show some recognition of their individual needs and are able to offer proactive advice and help accordingly. This would go some way to giving businesses the perception that suppliers are not solely interested in themselves. • Many businesses felt there was scope for a more personalised service from their suppliers, in the form of dedicated account managers and informed customer support teams, who they would feel more inclined to approach with queries and, again, would proactively contact businesses with information and deals that may be of interest.

Appendices

Appendix 1: Sector Definitions

The following table defines each of the four business sectors participating in this research in more detail.

Sector Definitions

Sector	Standard Industry Classification Code
Professional services	Information and Communication
	Financial and Insurance Activities
	Real Estate Activities
	Professional, Scientific and Technical Activities
	Administrative and Support Service Activities
	Public Administration and Defence; Compulsory Social Security
	Education
Customer based industries	Wholesale and Retail Trade
	Accommodation and Food Service Activities
	Human Health and Social Work Activities
	Arts, Entertainment and Recreation
	Other Service Activities
Manufacturing, transportation and storage	Manufacturing
	Transportation and Storage
Utilities, construction and agriculture	Agriculture, Forestry and Fishing
	Mining and Quarrying
	Electricity, Gas, Steam and Air Conditioning Supply
	Water Supply; Sewerage, Waste Management and Remediation Activities
	Construction

Size categories for participating businesses were set as follows:

- Micro – 1-9 employees
- Small – 10-49 employees
- Medium – 50-249 employees
- Large – 250-499 employees
- Very large – over 500 employees

Appendix 2: Discussion Guides

Ofgem: Non-Doms Discussion Guide



Focus Group

1. Introduction (10mins)

(To introduce the research and warm up participants, understand business' energy use and satisfaction with energy supply)

Moderator

- Moderator, outline aims of research and background to the project:
 - *Opinion Leader is carrying out research to find out about businesses' experiences of dealing with energy suppliers.*
 - *The research is being carried out on behalf of Ofgem, the independent regulator of the energy market in Great Britain, which aims to protect consumers. The research will help Ofgem understand businesses' views of energy supply and energy suppliers.*
- Remind participants to be open and honest with their feedback. Stress confidentiality and seek permission to record.

Participant

- Please could you tell me:
 - Your name?
 - About your business (what does it do)?
 - About your role within the business (what do you do)?
 - What your responsibilities are as far as energy supply is concerned?

While circulating, also ask:

- How many suppliers do you currently use? Who are they?
- How much do you currently spend on electricity / gas?
- Which would you consider to be your main source of energy?

Moderator – ask participant to focus on main source of energy during this discussion.

2. Switching Experiences (15mins)

(To understand businesses' attitudes to switching supplier, what they would consider when switching, what they have found/anticipate would be difficult.)

Moderator note – please focus on the second half of this section (i.e. after the line break).

- Who has switched supplier in the past three years? **If yes:**
 - When was this?
 - What motivated you to switch?
 - What was the switching experience like (good and bad points)?
 - How do you select a new supplier?
 - How many suppliers do you consider when thinking about switching?
 - Is it easy to compare the different options available?
 - What are the key things you would look for in a supplier when considering switching?
 - How did you switch supplier?
 - Did you search for alternatives?
 - Were you approached by another supplier?
 - Have you heard about energy brokers? (If not explain that they are people who act on behalf of businesses to secure deals on their energy.)
 - Did you use a broker?
 - What was the reason for doing so?
 - Were you aware that this may incur additional costs?
 - How could the switching experience be improved?
- Did you experience any problems?
 - What were these?
 - What impact did they have on your business?
 - Were you able to overcome these?
- For those who have not switched in the last three years:
 - Why have you not switched?
 - How aware are you of when / how to switch?
 - How easy do you think it is to switch?
 - What are the barriers to switching?
 - What could be done to make it easier for customers to switch?
- Overall, what difficulties are there for businesses looking to switch supplier?
- Are there any barriers specifically obstructing your ability to switch?

3. Information and Knowledge (15mins)

(To understand information available to businesses and where it may be lacking.)

Moderator – I would like to understand what information and communications you receive from your supplier and how you feel about the information you are able to access.

- Do you feel you get enough information from your supplier about your energy supply? What information do you expect to receive from your supplier?
- Where are you able to access information about how much you are paying for your gas/electricity?
- Is the information you have about your supply sufficient?
- Do you feel able to make all the decisions you need to about your supply with the information you have?
- What information is missing/would you find most useful?
 - How could this information be made available to you?
 - Is this something you would expect your supplier to communicate, and if so, how?
- How clear is it when you need to take action (e.g. to renew your contract / supplier)?
- If you have a copy of a bill with you, could you talk me through the key bits of information that are given to you within it?
 - Are the charges laid out clearly?
 - Does it show you how the overall charge is calculated?
 - Is there a clear start and end date?
 - Do you do anything after receiving the bill? What?
- Do you think any improvements could be made to the layout/content of the bill?
- Thinking about the other examples of correspondence you receive from your supplier(s).
 - What are the key bits of information you take away from them?
 - Is the information clear? Is anything particularly confusing?
 - Do you feel that these documents provide you with all the information you need? If not, what is missing?
 - Have you done anything after receiving this information? What?

4. Service Levels (15mins)

(To understand customer service provided by suppliers to businesses and whether suppliers understand businesses' needs.)

Moderator – Split group into two teams. Pretend you are going into business as an energy company.

Please come up with a proposition for how you will provide good customer service to your energy users.

(5mins, then feedback)

- How do your idea this compare with the service you receive?
- What have your experiences of customer service been like with previous suppliers?
 - What good experiences have you had?
 - What bad experiences have you had?
- Do you feel your supplier(s) understand your business' needs?
 - How do they demonstrate this?
 - To what extent do you trust your supplier to offer you the best service for your business?

- Do you prefer to deal with suppliers directly, or do you use a broker (i.e. a third party who procures and/or manages your supply for you)?
 - Have you ever used a broker? Why / why not?
 - **If yes:**
 - What role does your broker perform (i.e. procurement and/or management)?
 - What were the reasons for doing so?
 - How satisfied were you with your broker?
 - What are your thoughts on having accredited code of practice for brokers? (Explain that a code of practice is the behaviours and rules that people in a profession agree to adhere to so there are codes of practice for doctors, lawyers and market researchers.)
 - Is this necessary?
 - What principles or behaviours should it include?

5. Tariffs and Payment (15mins)

(To understand what tariffs/methods of payment businesses tend to use, how they understand their bills and any payment issues they have had with suppliers.)

Moderator – it would be good to discuss your thoughts on the financial considerations and your experiences as far as paying for your energy are concerned.

- Do you have a contract with your energy supplier?
 - Is that for a specified period of time?
 - Do you know the end date of your contract?
 - Do you pay a fixed rate?
 - Have you ever renewed a contract with this supplier?
 - If so, did you receive a renewal notice towards the end of the contract term?
 - How far in advance of the end of the contract term was this?
- Have you ever had a contract roll over?
 - How did you manage this?
 - How satisfactory was the outcome for your business?
 - Micro businesses are currently protected from contract rollovers and have a twelve month cap on the length of their contract unless the business chooses to renew. Is this something you feel would be of benefit to your business? Why / why not?
 - How satisfied are you with the rate you are currently paying?
- How do you pay for your energy – direct debit, on receipt of a bill, or some other way?
- Have you ever challenged a bill/charge? What was the outcome?
- Have you ever had any complications with the payment of a supplier?
 - Have you ever been overcharged?
 - Have you ever been back-billed (i.e. billed retrospectively for energy use)?
 - Was this unexpected?
 - How did you deal with this?
 - What impact did this have on your business?
 - Could you talk me through what happened and how it was resolved?

- How long did it take?
- How do you feel about it?
- Did it have any implications for your business?

6. Energy management (10mins)

(To understand how – if at all – businesses manage their energy usage.)

Moderator – I would be interested to hear about how you manage your energy usage and supply.

- Do you monitor your energy usage?
 - **If yes:**
 - How do you do this? How regularly?
 - Do you refer to your bills? Do you use a smart meter, or an automated meter reading?
 - How much time does this take? How does this fit in with your other responsibilities at work?
 - **If no:**
 - Why don't you monitor your energy usage?
 - What might persuade you to do so?
- Do you feel your business has taken steps to become more energy-efficient?
 - Is your business interested in doing more? Why / why not?
 - What benefits do you think monitoring your business' energy usage might have?
 - What drawbacks might it have?
- *The following questions are unlikely to apply to focus group customers but please check:*
 - Do you have **half-hourly metering for electricity**? If yes:
 - How does this work?
 - How is your usage reported?
 - How satisfied are you with this?
 - What are the benefits / drawbacks?
 - How could this service be improved?
 - Do you have **monthly metering for gas**? If yes, question as above.

7. Conclusion (5mins)

- What aspects of your energy supply / service are you:
 - Most satisfied with?
 - Most dissatisfied with?
- Of the things you are satisfied / dissatisfied with, which is most important to you?

Thank and close

Ofgem: Non-Doms Discussion Guide

Depth Interviews

2. Introduction (10mins)

(To introduce the research and warm up participants, understand business' energy use and satisfaction with energy supply)

Moderator

- Moderator, outline aims of research and background to the project:
 - *Opinion Leader is carrying out research to find out about businesses' experiences of dealing with energy suppliers. We are interested in your views on issues such as metering, tariffs, contracts and changing supplier.*
 - *The research is being carried out on behalf of Ofgem, the independent regulator of the energy market in Great Britain, which aims to protect consumers. The research will help Ofgem understand businesses' views of energy supply and energy suppliers.*
- Remind participants to be open and honest with their feedback. Stress confidentiality and seek permission to record.

Participant

- Please could you tell me about your business? What does it do? How long have you worked there?
- What is your role within the business? What are your main responsibilities?
- What are your responsibilities as far as energy supply is concerned?
- How many suppliers do you currently use? Who are they?
- Do you use an energy broker? Who is this
- How much do you currently spend on electricity / gas?
- Which would you consider to be your main source of energy?

Please focus on main source of supply for the duration of this interview.

Face-to-face: please cover sections 2-6 in full. If this is not possible, rotate order of sections covered in each location.

Telephone: select coverage of 3 sections from 2-6 with participant. Which of the following aspects of energy supply is most important to you?

- Information and knowledge
- Service levels
- Energy management
- Tariffs and payment

- Switching supplier

8. Switching Experiences (10mins)

(To understand businesses' attitudes to switching supplier, what they would consider when switching, what they have found/anticipate would be difficult.)

Moderator note – please focus on the second half of this section (i.e. after the line break).

- How many times have you switched supplier?
- If haven't switched:
 - Have you ever considered switching?
 - What are the reasons why you haven't ever switched?
- When was the last time you switched supplier?
 - What were the reasons for doing so?
 - How do you select a new supplier?
 - How many suppliers do you consider when thinking about switching?
 - Is it easy to compare the different options available?
- What are the key things you would look for in a supplier when considering switching?
- How did you switch supplier?
 - Did you search for alternatives?
 - Were you approached by another supplier?
 - Have you heard about energy brokers? (If not explain that they are people who act on behalf of businesses to secure deals on their energy.)
 - Did you use a broker?
 - What was the reason for doing so?
 - Were you aware that this would incur additional cost?
- What difficulties are there for businesses looking to switch supplier?
- Are there any barriers specifically obstructing your ability to switch?
- Did you experience any problems?
 - What were these?
 - What impact did they have on your business?
 - Were you able to overcome these?

9. Information and Knowledge (10mins)

(To understand information available to businesses)

Moderator – I would like to understand what information and communications you receive from your supplier and how you feel about the information you are able to access.

- Do you feel you get enough information from your supplier about your energy supply? What information do you expect to receive from your supplier?
- Where are you able to access information about how much you are paying for your gas/electricity?
- Is the information you have about your supply sufficient?
- Do you feel able to make all the decisions you need to about your supply with the information you have?
- What information is missing/would you find most useful?
 - How could this information be made available to you?
 - Is this something you would expect your supplier to communicate, and if so, how?
- How clear is it when you need to take action (e.g. to renew your contract / supplier)?

Face-to-face – ask participants to refer to bill / correspondence if they have brought it.

Telephone – ask customers to think about bills / correspondence from suppliers.

- Is the information clear? Is anything particularly confusing?
- What are the key bits of information you take away from them?
- Are the charges laid out clearly?
- Does it show you how the overall charge is calculated?
- Is there a clear start and end date?
- Have you done anything after receiving this bill / correspondence? What?
- Do you feel that these documents provide you with all the information you need? If not, what is missing?
- Do you think any improvements could be made to the layout/content of the bill?
- Thinking about the other examples of correspondence you receive from your supplier(s).
 - What are the key bits of information you take away from them?
 - Is the information clear? Is anything particularly confusing?
 - Do you feel that these documents provide you with all the information you need? If not, what is missing?

10. Service Levels (5mins)

(To understand customer service provided by suppliers to businesses and whether suppliers understand businesses' needs.)

Moderator – I would like to talk about what you expect of suppliers in terms of the service they provide.

- What kind of customer service do you want from energy suppliers?
- How does this compare to the service you receive?
- What does good service look like? / What does poor service look like?
- What have your experiences of customer service been like with previous suppliers?
 - What good experiences have you had?
 - What bad experiences have you had?
- Do you feel your supplier(s) understand your business' needs?
 - How does this demonstrate itself?
 - To what extent do you trust your supplier to offer you the best service for your business?
- Do you prefer to deal with suppliers directly, or do you use a broker (i.e. a third party who procures and/or manages your supply for you)?
 - Have you ever used a broker? Why / why not?
 - **If yes:**
 - What role does your broker perform (i.e. procurement and/or management)?
 - What were the reasons for doing so?
 - How satisfied were you with your broker?
 - What are your thoughts on having accredited code of practice for brokers? (Explain that a code of practice is the behaviours and rules that people in a profession agree to adhere to so there are codes of practice for doctors, lawyers and market researchers.)
 - Is this necessary?
 - What principles or behaviours should it include?

11. Tariffs and Payment (10mins)

(To understand what tariffs/methods of payment businesses tend to use, how they understand their bills and any payment issues they have had with suppliers.)

Moderator – it would be good to discuss your thoughts on the financial considerations and your experiences as far as paying for your energy are concerned.

- Do you have a contract with your energy supplier?
 - Is that for a specified period of time?
 - Do you know the end date for your contract?
 - Do you pay a fixed rate?
 - How satisfied are you with the rate you are currently paying?
 - Do you think you get value for money? Why / why not?
- How do you pay for your energy – direct debit, on receipt of a bill, or some other way?
- Have you ever challenged a bill/charge? What was the outcome?
- What are bills like? How are they billed?

- Do you think any improvements could be made to the layout/content of the bill?
- Have you ever had any complications with the payment of a supplier?
 - Have you ever been overcharged?
 - Have you ever been back-billed? (I.e. billed retrospectively for energy use)?
 - Was this unexpected?
 - How did you deal with this?
 - What impact did this have on your business?
 - Could you talk me through what happened and how it was resolved?
 - How long did it take?
 - How do you feel about it?
 - Did it have any implications for your business?
- Do you have **half-hourly metering for electricity**? If yes:
 - How does this work?
 - How is your usage reported?
 - How satisfied are you with this?
 - What are the benefits / drawbacks?
 - How could this service be improved?
- Do you have **monthly metering for gas**? If yes, question as above.

12. Energy management (10mins)

(To understand how businesses manage their energy usage.)

Moderator – I would be interested to hear about how you manage your energy usage and supply.

- Do you monitor your energy usage?
 - **If yes:**
 - How do you do this? How regularly?
 - Do you refer to your bills? Do you use a smart meter, or an automated meter reading?
 - How much time does this take? How does this fit in with your other responsibilities at work?
 - **If no:**
 - Why don't you monitor your energy usage?
 - What might persuade you to do so?
- Do you feel your business has taken steps to become more energy-efficient?
 - Is your business interested in doing more? Why / why not?
 - What benefits do you think monitoring your business' energy usage might have?
 - What drawbacks might it have?

- Thinking about supplier management: how long have you been with your current supplier?
- Have you ever renewed a contract with this supplier?
 - If so, did you receive a renewal notice towards the end of the contract term?
 - How far in advance of the end of the contract term was this?
- Have you ever had a contract roll over?
 - How did you manage this?
 - How satisfactory was the outcome for your business?
 - ***If a medium business:***
 - *Micro businesses are currently protected from contract rollovers and have a twelve month cap on the length of their contract unless the business chooses to renew.*
 - *Is this something you feel would be of benefit to your business? Why / why not?*
- Do you prefer to deal with suppliers directly, or do you use a broker?
 - Have you ever used a broker? Why / why not?
 - **If yes:**
 - What were the reasons for doing so?
 - How satisfied were you with your broker?
 - What are your thoughts on having accredited code of practice for brokers?
 - Is this necessary?
 - What principles should it include?

13. Conclusion (5mins)

- What aspects of your energy supply / service are you:
 - Most satisfied with?
 - Most dissatisfied with?
- Of the things you are satisfied / dissatisfied with, which is most important to you?

Thank and close