



Federation of Small Businesses
The UK's Leading Business Organisation

Ofgem

August 2013

Dear Sir,

RE: Third Party Intermediaries: exploration of market issues and options

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

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

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

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

Yours sincerely,

Allen Creedy

Chairman of the Environment, Energy & Water Policy Unit

Federation of Small Businesses



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FSB response to Third Party intermediaries: exploration of market issues and options

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The current importance of the role of TPIs is a reflection of the lack of competition and the failure of Ofgem to deliver a retail energy market that meets the needs of the UK's five million small businesses. TPIs should be seen as a short term solution to increasing competition in the SME energy market rather than a long term solution to delivering the retail energy market SMEs deserve.

Whilst we fully support moves to introduce stricter regulation of the TPIs we believe a far more effective solution is to encourage the introduction of published tariff information in the small business energy market, that would allow small firms to more easily compare different supplier prices and choose accordingly. We believe this should be complimented by the ending of the practice of automatic rollovers and the introduction of 'evergreen' style tariffs which will stimulate small business engagement in the energy market.

Question 2: Do you consider our understanding of consumers' experience of TPIs in the retail energy market is accurate?

The FSB acknowledges that TPIs play an important role in facilitating consumer engagement and increasing competition in the current non-domestic retail energy market.

However, the FSB is concerned that too many small firms have suffered instances of mis-selling, nuisance calls and, in particular, have suffered from a lack of transparency in the way TPIs conduct themselves. All too often is not clear to a small firm whether the TPI they are dealing with represents all the big six energy suppliers or just some or one of them. We also believe there is a lack of 'ownership' of TPIs by energy suppliers and more needs to be done to make them accountable for the actions of TPIs.

We are also concerned that TPIs sometimes misrepresent their roles in relation to suppliers and who and how they receive fees from.

Question 4: What are your views on the existing regulatory measures applying to TPIs?

We believe the current level of TPI regulation is inadequate. Given the potential for consumer detriment regulation of TPIs under general consumer protection rules is not sufficient to avoid cases of consumer detrimental. We therefore welcome Ofgem's proposals to come forward with stricter regulatory framework.

Question 9: Have we captured the full range of 'regulatory' options available?

The FSB believes the regulatory options outlined in the consultation document have captured the range of possible options.

Currently, we believe option 4, a code of practice with a standard license condition, is the most sensible and workable option. We believe suppliers need to take greater responsibility for TPIs acting on their behalf and this proposal would go some way to addressing this issue. Though we believe more work needs to be done to fully understand any possible unforeseen consequences of the proposal.

The need for more fundamental reform of the small business energy market

TPIs are a symptom of an uncompetitive market place and are not a long term solution to addressing the lack of competition and engagement in the market place.

In the energy markets expertise closely follows consumption; if you use a large amount of energy you will have a high level of expertise and you will be more willing to devote time and resources to securing a competitive deal. For the vast majority of small businesses, who consume energy like a domestic



household, the opposite is true. We believe Ofgem needs to encourage suppliers to offer more competitive fixed offers for at least micro sized business that are publicly available and easily comparable.

We need to get to a position where securing a competitive energy deal is not a time consuming affair that detracts from running a business and generating growth.

For further information

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