



Federation of Small Businesses
The UK's Leading Business Organisation

Bart Schoonbaert

OFGEM

9 Millbank

London SW1P 3GE

January 2014

Dear Sir,

RE: Consumer Empowerment and Protection in Smarter Markets

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 Policy Unit

Federation of Small Businesses



Federation of Small Businesses
The UK's Leading Business Organisation



FSB response to Ofgem consultation on Consumer Empowerment and Protection in Smarter Markets

October 2010



Introduction

The roll out of smart metering across the UK offers small businesses the chance to take control of their energy consumption, increase their energy efficiency and reduce their costs. Yet the FSB is concerned that, owing to pressure from the big six energy companies, essential features and protections will be missing from the roll out for small businesses.

Whilst the FSB is fully supportive of the introduction of smart meters we have serious concerns that the six big energy companies are, at present, likely to be the main beneficiaries and that if the wrong decisions are made about the nature of the smart meter rollout small businesses will not be able to enjoy the full benefits of becoming more energy efficient.

The smart meter rollout for small businesses should broadly mirror that of the domestic rollout, which has largely been decided upon, and has strong safeguards to ensure that domestic consumers can benefit from competitiveness within the market. It is essential that small business customers should remain free to switch suppliers when they wish and not get locked into using certain suppliers due to the lack of meter interoperability. For example, they should be able switch to those who offer innovative metering, good service and competitive prices. In the report we make a number of recommendations to ensure the smart meter rollout empowers small businesses.

Micro-businesses are broadly similar to domestic household in terms of energy consumption use and we therefore believe that the majority of safeguards proposed for the domestic sector should apply to the non-domestic sector as well. We also urge DECC to bear in mind that Ofgem, in its' ongoing Retail Market review, is proposing to extend the current level of regulatory protections for micro-business to small businesses – which are officially defined as having up to 249 employees. We believe this extension of protections to small business should be reflected in the smart metering rollout.

Additionally, given the potential of smart metering to maximise a firms' energy efficiency and help reduce energy bills, we believe Government should look to mandate easy and free access to energy consumption data for small firms as well as ensure maximum interoperability to help businesses switch supplier without difficulty should they choose to do so.

Do you agree with our proposed approach to micro-businesses?

It is essential that the unique characteristics of micro businesses are taken account of during the roll out of smart meters. We therefore welcome Ofgem's acknowledgement that micro businesses will need special consideration during the rollout.

However, to date, we are concerned that micro businesses have not been given the necessary level of attention and have often been considered as an afterthought tagged on to the domestic rollout.

We are therefore wary of Ofgem's decision not to treat micro business as a separate focus area for the work programme.

Do you agree with the focus areas we identified?

We broadly support the areas identified. However, we feel there is one key area missing interms of the micro business rollout; interoperability.



The FSB is concerned that the large energy companies have already started rolling out advanced/smart meters to their customers despite Government only having recently released their proposal for the technical specifications of what constitutes a smart meter. This means that many small businesses could have recently had an advanced meter that does not now meet the full technical specifications of what constitutes a smart meter. The Government has decided, for households, that energy suppliers will have to change any advanced/smart meters they have installed that don't meet the technical specifications. The FSB is concerned that, given the current difficulties SMEs have in switching energy supplier, the lack of a mandated specification of smart meter in the micro business sector could lead to those businesses, whose supplier have already installed sub-specification meter, finding it difficult to switch energy supplier due to the lack of interoperability of meters.

The FSB believes energy suppliers who have jumped the gun and installed sub-specification meters should be forced to install smart meters of adequate specification in the small non-domestic sector.

We would therefore welcome Ofgem giving specific attention to this area.

- **Billing accuracy and options**

WE support the areas identified in the work plan. In particular, we support the approach of 'no back bills where the consumer is not at fault'. Back billing is an issue that has plagued small businesses relationships with their suppliers and we want to see the advent of smart metering signal an end to this practice.

During the switch to smart metering we want to see Ofgem carefully monitor the back billing practices of the big six since we believe some suppliers are aggressively back billing customers with the data generated from recently installed smart meters ahead of the voluntary 2014 deadline.

- **Tariff innovation**

Whilst we appreciate many of the current arrangements around tariffs do not apply it will be important to monitor the future development of tariff and arrangements and we acknowledge Ofgem's recognition of the need to do this.

- **Provision of consumption data and information**

We welcome Ofgem's identification of the provision of consumption data and information as key area of work.

The FSB remains concerned about the lack of mandated DCC use by energy suppliers in the non-domestic sector since it has potential implications about the impartiality of energy efficiency advice offered as well as the cost of accessing such data.

Asking small businesses to pay to access their energy consumption data will seriously undermine the credibility of the programme as well as limit the potential economic and environmental benefits of the scheme. Small businesses, like domestic households, should be able to freely access their energy use data in order to maximise the potential benefits of smart metering.

Further to this, the credibility of the smart meter rollout could be jeopardised if small firms are dependent on their energy supplier to provide them with data about their energy use. Small businesses have traditionally had a poor experience in their relations with the big six energy companies and their confidence in the rollout would be bolstered by accessing data via an independent DCC. This is particularly important given that the Government is not proposing to make the mandatory use of an IHD for non-domestic premises.



Further, many firms use 3rd party energy experts to advise on how to cut their energy use and where the use of DCC is not in place it will raise issues as to how or if the 3rd party can access a firm's energy consumption data. This is a particularly important consideration for energy intensive small businesses who can see significant cost savings through the use of a 3rd party.

We therefore believe, should Government proceed with not mandating the use of DCC in the non-domestic sector, that special arrangements will need to be made to ensure 3rd party access to a firm's data should they not be opted in to the DCC.

How would you like to engage with us throughout this work?

We would welcome involvement as to what areas Ofgem should address micro business concerns separately.

For further information

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