



Ofgem

9 Millbank

London SW1P 3GE

29 August 2014

Dear Sir/Madam,

RE: proposals for non-domestic automatic contract rollovers and contract renewals

The FSB broadly welcomes Ofgem's proposals to:

- **Reduce the maximum termination notice period to 30 days.** Differences in termination procedures between suppliers are catching small firms out, and allowing energy suppliers to object to a request to transfer and limit SMEs ability enjoy a competitive market place.
- **Include current prices and annual consumption on contract renewal letters.** The way bills are currently presented to small business consumers in the energy market mean that small firms find it hard to understand and compare like for like.
- **Require suppliers to acknowledge termination notices received from a customer.** However, we do not believe this proposal goes far enough. In the case of a legitimate objection to termination, a supplier should contact the customer within 24 hours to explain the problem and the steps required to resolve it as quickly as possible.

However, we are extremely disappointed that there is no plan to ban the practice of auto-rollovers. We welcome the voluntary move by the seven biggest energy providers to end to this practice. It is therefore hard to understand Ofgem's assertion that enforcing a ban would be a "significant intervention in the market". The FSB's preferred option is to allow small firms to be rolled over but able to exit such contracts without any penalty. We have responded below to the counter-arguments offered by Ofgem:

Proportionality. Ofgem argue that only 2 per cent of business consumers said their current contract had been rolled over without their knowledge. However, in an FSB survey of almost 2500 members in April 2013, one in four microbusinesses said they had been rolled-over on to another fixed term energy contract without their knowing. This suggests there could be a particular issue for smaller and more vulnerable businesses. It is unsurprising that 82 per cent of FSB members believe automatic contract rollovers should be abolished.

Direct risks to consumers. Ofgem believe that banning auto-renewals will mean that some consumers move to more expensive prices. If true, this would be further evidence of a market not operating correctly, something we trust will be addressed by the forthcoming Competitions and Markets Authority inquiry. However, there is little evidence of proportionally higher prices offered by energy companies that have already ended this practice.



Hedging risk for smaller suppliers. Ofgem argue that having a large proportion of customers on fixed-term contracts allows a supplier to hedge the risk of short-term changes in wholesale electricity and gas prices. The FSB believes this is further evidence of a market not working properly and would be resolved by energy firms providing evergreen tariffs and improved competition. A good deal, offered by a trusted supplier, should be the driver for guaranteeing long-term contracts, not locking customers in to uncompetitive, damaging contracts.

Yours sincerely,

Allen Creedy

Chairman of the Environment, Energy & Water Policy Unit

Federation of Small Businesses