



Ofgem  
9 Millbank  
London  
SW1P 3GE

**9 October 2014**

Dear Sir/Madam,

**Ofgem consultation on the Supplier Guaranteed and Overall Standards of Performance**

The Federation of Small Businesses (FSB) welcomes Ofgem's investigation into the Standards of Performance.

The FSB is the UK's leading business organisation. We exist 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 about 200,000 members, we are also the largest organisation representing small and medium sized businesses in the UK.

Our response is primarily focussed on Question 8 of the consultation document, asking whether the revised Supplier Guaranteed Standards of Performance should apply to micro business customers as well as domestic.

In our recent report 'Small Businesses As Consumers' the FSB called on government to give small and micro businesses the same level of consumer protection as domestic customers when drafting legislation. As it stands, small businesses are disadvantaged compared to large businesses and domestic consumers when taking out a contract with a new energy provider.

These disadvantages include the following:

- **Lack of expertise in purchasing energy.** Most small businesses, and especially micro businesses and sole traders, have a similar level of expertise as a domestic customer when purchasing most products and services and they are far less likely than large businesses to have staff with a specific procurement role.
- **High opportunity cost of time spent making purchasing decisions.** A small business will often be working flat-out trying to run its core business effectively. A lack of published, comparable tariffs for business customers means that many see the process of searching for and scrutinising a new energy supplier is simply not worth the cost or the effort.
- **Low benefits (actual or perceived) of time spent making purchasing decisions.** A small business will typically have relatively low requirements for products and services that are not directly linked to its core trade – they want their heating to work and lights to be on. Small businesses often do not think they will benefit significantly from investing time choosing their ideal energy supplier.
- **Poor bargaining power.** Smaller businesses have far less bargaining power, especially compared to large companies such as major utility service providers, and in some cases (such as energy) they may not have access to standard published tariffs.



The FSB believes the 2003 Communications Act which regulates the telecoms industry is a model of best practice that could be copied across all regulated industries. Under this law, the regulator treats micro businesses like domestic consumers other than where there are clear reasons not to. This would give a much fairer level of consumer protection to these firms.

Given the limited ability of small businesses to negotiate and protect themselves in the energy market, we believe that Guaranteed Standards of Performance should be extended to micro-businesses. We believe this would be a valuable addition – and a potentially less time-consuming one – to the existing redress routes provided by Complaints Handling Standards Regulations, the Energy Ombudsman and Unfair Trading Regulations.

We support Ofgem's proposals to maintain compensation through Guaranteed Standards of Performance at the same level as domestic customers. However, we would stress the importance of maintaining fair and simple access for small businesses in their dealings with the Ombudsman regarding any complaints – and subsequent levels of compensation – which go above and beyond those covered by these Standards of Performance.

Ofgem highlight the significant differences between the small business energy market and domestic energy market, arguing that, in the context of Standards of Performance, contractual arrangements and service level agreements may differ between the two markets. This simply highlights the problems that small businesses face across the whole of the energy market. As part of the energy market review, the FSB has made regular representations to Ofgem and the CMA to argue that small businesses need to be treated in a similar way to domestic consumers.

We would caveat all of the above with our view that any improvements in protection to micro-business consumers must not come at the cost of increased regulatory burden.

I trust that you will find these 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**