

Small Business Energy Working Group Communiqué

Small and micro businesses are the backbone of Britain's economy and deserve a fairer and more transparent energy market that will help them ensure they are getting the best energy deal.

The Small Business Energy Working Group was convened by Number 10 and the Department for Energy and Climate Change to ensure that micro business consumers can benefit from a market that is fair and transparent.

The members of the Group, including Energy UK, the Federation of Small Businesses, the Forum for Private Business, Consumer Futures, Ofgem, and energy supplier and third party intermediary representatives, have made significant progress to address the key issues of concern to micro businesses, such as back-billing, auto roll-overs and introduction of new contract continuation processes, and the need for increased clarity and transparency of communications.

The Group contributed to the development of the work of Energy UK, British Gas, EDF Energy, E.ON, First Utility, Good Energy, npower, Opus Energy, Scottish Power and SSE and as a result, the Group endorses the following commitments made by those suppliers:

Making the back-billing process fairer by:

- Bringing forward the date at which suppliers will limit back bills for micro business customers to one year where the supplier is at fault. This means that many consumers will feel the benefit of this agreement either by the end of 2013 or as soon as practicably possible in 2014¹.
- Improving options for repaying a back bill by agreeing to take into account the individual circumstances of the customer and offering the customer repayment options that reflect those circumstances.
- Recognising where energy bills may only be part a wider debt issue that the micro business consumer is facing and referring them, where appropriate, to an independent third party advice organisation (such as the Business Debt Line).

Improving transparency and clarity of communications by:

- Producing a factsheet that sets out the termination process in full. This will be sent or signposted to the customer when a customer first signs up

1. Three suppliers have indicated that, due to system change and data issues, they will not be able to limit back billing to one year until the end of 2014.

to a supply contract, and when they are sent a renewal notice at least 60 days before their contract ends. The factsheet will include all the options open to micro business customers at renewal and key dates.

- Simplifying the termination process by agreeing that written notice to terminate a contract at its end date can be received any time before a common Relevant Date (30 days before a contract is due to end²), thereby ending the use of termination windows.
- Improving the clarity and transparency of information provided on termination by writing to micro business customers at least 30 days before the Relevant Date to remind them that the contract will end soon³.
- Establishing an Industry Steering Group to develop standard information and common language for supplier communications.
- Exploring improving the switching process for micro business consumers via Ofgem's Change of Supplier Expert Group (COSEG).

Ending or improving the practice of rollover contracts:

As a result of concerns voiced by parts of the micro business community about the practice of automatically continuing contracts after the end of the contract term, some suppliers have already announced they will be stopping this practice. These suppliers will:

- Offer variable or fixed price products that allow the customer to switch away at short notice without incurring any exit or termination fees.
- Introduce these new contract continuation processes for all new customers from April 2014, and to existing customers shortly after.

However, it is recognised that there may be demand amongst some micro businesses for the ease of an automatic contract continuation. Some independent suppliers also find that automatic fixed term contract continuations can provide a stable profit base on which to raise credit for trading.

Some suppliers have, therefore, decided to continue offering their customers this option and have committed to improving their processes to make them fairer and more transparent for those consumers who choose this option.

To address customer demand, some suppliers are also considering offering automatic contract continuations on an "opt in - only" basis, or without an exit fee.

² One independent supplier proposes to remain at 60 days in line with current practices.

³ In line with suppliers licence conditions following the package of reforms set out in Ofgem's RMR.

The Group also acknowledged that Ofgem is reviewing auto-rollovers to ensure a balance between eradicating unfair or unattractive practices from the market and maintaining consumer choice and Ofgem plans to publish a consultation in early 2014.

Role of Third Party Intermediaries [TPIs] in non-domestic market.

In addition to the commitments made by suppliers to improve the experience of micro and small business consumers, the Working Group also identified that TPIs have an important role to play in the non-domestic market and wished to ensure that all TPIs act in a fair and responsible way. In order to achieve this, the Working Group supports Ofgem recently gaining new powers under the Business Protections from Misleading Marketing Regulations, as well as advocating the introduction of a compulsory, independently monitored Code of Practice for TPIs operating in the non-domestic market.

Ofgem has developed a draft Code of Practice following a series of stakeholder working group sessions. The minutes of these working groups, the draft Code of Practice and a factsheet for consumers are available on the Ofgem website. Whilst the content of this code is at a draft stage it reflects the high level principles that Ofgem expects TPIs to follow in offering a high standard of service to their current and prospective customers. An Ofgem consultation is planned in early 2014.

Future of the Working Group

The Working Group will continue to look at ways for improving the transparency and fairness of the energy markets for small businesses, maintaining a forum where new issues can be raised and discussed constructively. Future areas for discussion already identified include the publication of tariffs for micro/small businesses and TPIs. The Group is also committed to exploring innovative new tariff arrangements for micro/small businesses – such as evergreen tariffs.