

Energy Market Update for Small Businesses – Press Release 9/12/08

WITH THE FINANCIAL MARKET IN TURMOIL AND BUSINESSES FINDING IT DIFFICULT TO OBTAIN FUNDING, THE MEDIA FOCUS HAS TENDED TO IGNORE THE ENERGY SECTOR IN RECENT WEEKS. HOWEVER, THERE HAVE BEEN SOME INTERESTING AND DRAMATIC EVENTS TAKING PLACE, ALL OF WHICH WILL HAVE A MAJOR IMPACT ON SMALL BUSINESSES.

THE DIFFICULT TRADING CONDITIONS IN THE RETAIL MARKETS OVER THE PAST 18 MONTHS HAVE CAUSED TWO SUPPLIERS TO BECOME INSOLVENT, E4B AND BIZZ ENERGY. BIZZ WAS THE LARGEST INDEPENDENT SUPPLIER TO HAVE BEEN AROUND FOR A LONG TIME, WEATHERING THE LAST WHOLESALE PRICE INCREASE THREE YEARS AGO AND EXPANDING ITS BUSINESS IN THE PROCESS. SO THEIR DEMISE IS A SIGNIFICANT EVENT AND DEMONSTRATES THE EFFECT OF THE SIZE AND SPEED OF THESE RECENT ENERGY PRICE RISES. THOSE SUPPLY COMPANIES WITHOUT THEIR OWN GENERATING RESOURCE HAVE BEEN PARTICULARLY HARD HIT. THEY HAVE HAD TO TRY AND HEDGE THEIR REQUIREMENTS FOR 2, 3 OR EVEN 4 YEAR FIXED PRICE CONTRACTS WITH THEIR CUSTOMERS IN AN EVER RISING MARKET. WE MAY BE RELUCTANT TO SHED MANY TEARS FOR THEM BUT IN THE LONGER TERM IT MEANS LESS COMPETITION, AND THAT IS BAD NEWS FOR SMES.

MORE BAD NEWS IS THE WAY IN WHICH COMPLAINTS ABOUT ENERGY SUPPLIERS ARE NOW HANDLED AND HOW REDRESS MIGHT BE OBTAINED. ENERGYWATCH CEASED TO EXIST AT THE END OF SEPTEMBER AND WAS DUE TO BE REPLACED BY AN EXPANDED CONSUMER COUNCIL AND AN OMBUDSMAN SCHEME. THE CONSUMER COUNCIL IS UNLIKELY TO BE OPERATING IN ANY MEANINGFUL WAY UNTIL WELL INTO THE NEW YEAR OR EVEN TWO YEARS IF THE EXPERIENCE OF THE START OF ENERGYWATCH IS ANYTHING TO GO BY! IN THE MEANTIME ANY UNSCRUPULOUS ENERGY COMPANY WILL BE ABLE TO IGNORE CUSTOMERS' COMPLAINTS AND BULLY HARD-PRESSED SMES INTO ACCEPTING THEIR VIEWS.

THE OMBUDSMAN SCHEME IS IN A SIMILAR STATE AND CURRENTLY WILL DEAL WITH ONLY THE VERY SMALL BUSINESSES THAT HAVE BEEN UNABLE TO REACH A SETTLEMENT WITH THE SUPPLY COMPANY AFTER EIGHT WEEKS. EVEN AFTER A REFERRAL THE SUPPLY COMPANY CAN STILL THREATEN DISCONNECTION FOR NON-PAYMENT OF DISPUTED INVOICES, SO A CREDIBILITY GAP EXISTS. AUDITEL AND A NUMBER OF OTHER CONSULTANCIES HAVE MADE REPRESENTATION TO THE NEW OMBUDSMAN ON THIS POINT, WHICH HE IS SERIOUSLY CONSIDERING.

THE ENERGY REGULATOR OFGEM HAS PUBLISHED THE RESULTS OF A PROBE INTO THE SME PART OF THE INDUSTRY. IT FOUND NO EVIDENCE OF CARTELS OPERATING BUT WAS CONCERNED AT SOME ASPECTS OF COMPETITION. THE REPORT CAN BE DOWNLOADED FROM WWW.OFGEM.GOV.UK.

AGAINST THIS BACKGROUND IT IS IMPORTANT THAT SMES EITHER FULLY UNDERSTAND THE ENERGY MARKETS OR HAVE ACCESS TO A TRANSPARENT AND TRUSTWORTHY THIRD PARTY WHO DOES. IF THEY ARE ADVISED BY A BROKER WHO MAYBE MORE CONCERNED WITH PUTTING THE BUSINESS WITH THE SUPPLIER PAYING THE LARGEST COMMISSION THEN THEY ARE UNLIKELY TO OBTAIN THE BEST DEAL, EITHER IN TERMS OF PRICE OR SERVICE.

BEFORE ENGAGING THE SERVICES OF A CONSULTANT IT IS WISE TO ENSURE THAT HE DECLARES ALL SOURCES OF INCOME, NAMELY THAT:

- THE AMOUNT OF ANY COMMISSION RECEIVED IS NOT EXCESSIVE FOR THE SERVICE BEING PROVIDING.
- THEY CAN PROVIDE TWO REFERENCES FROM COMPANIES THAT YOU HAVE HEARD OF OR CAN TRUST.
- THEY ARE A MEMBER OF THE UTILITIES INTERMEDIARIES ASSOCIATION (UIA), THE CONSULTANTS AND BROKERS TRADE ASSOCIATION. THIS MEANS THEY HAVE SIGNED UP TO A CODE OF PRACTICE, AND THERE IS A REDRESS FOR THE CUSTOMER IF THE BROKER FAILS TO PROVIDE THE CONTRACTED SERVICE IN A COMPETENT AND PROFESSIONAL MANNER.

WITH THE HELP OF SUCH A PROFESSIONAL CONSULTANT LIKE AUDITEL MANY POTENTIAL PROBLEMS CAN BE ELIMINATED AND THE COMPANY CAN BE CONFIDENT THAT THEIR ENERGY IS BEING PROPERLY MANAGED.

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