



Department
of Energy &
Climate Change

The Gas and Electricity Regulated Providers (Redress Scheme)
Order 2008 Consultation: Government Response

July 2014

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Purpose of the document

This document is the Government's response to the Gas and Electricity Regulated Providers (Redress Scheme) Order 2008 (SI 2008/2268) ("the Order") consultation launched on 7 January 2014.

1. Published as an 'open' document on DECC's website, the consultation sought views on whether the micro business definition in the Order should be changed, and if yes, that the changes mirror those already proposed by Ofgem to Standard Licence Condition 7A which come into effect on 31 March 2014.
2. Standard Licence Condition 7A currently uses the same definition for micro businesses as in the current Order. However, having undertaken in-depth analysis of the market through its Retail Market Review - looking at how to ensure business customers, and particularly smaller businesses, are able to get the best deal from the market – Ofgem decided to extend the coverage of the safeguards to more micro businesses.
3. The Order enables domestic and micro business customers to have access to a redress scheme if they have not been able to resolve a consumer complaint with their energy provider directly. We propose to change the upper limit for annual energy consumption in the definition of micro business in the Order by increasing it from:
 - a consumption of no more than 55,000 kWh to no more than 100,000 kWh of electricity per year, or,
 - a consumption of no more than 200,000 kWh to no more than 293,000 kWh of gas per year.
4. It is estimated that up to 150,000 businesses could benefit from this change to improve the Order.
5. The consultation closed on 14 February 2014. We received 9 written responses from stakeholders, including from 4 energy companies, 1 from supply companies representative, 1 from a network operator, 1 redress and 2 consumer organisations. In addition, DECC received informal representations from stakeholders on the proposal prior to the formal consultation. All respondents were from England.

Key Findings and Future Actions

6. All of the respondents were supportive of the proposal to change the upper limit for annual energy consumption in the definition of micro business in the Order. All of the respondents agreed that the changes should mirror the changes being made by Ofgem to the supply licence (SLC7A) which will come into force on 31 March 2014.

7. The Government will make amendments to the Order on the basis set out in the consultation. Subject to Parliamentary processes, we expect the amendments to come into force by early August 2014.

Detailed overview of responses

Q1. What are your views on our proposal to widen the definition of a micro business customer in the Order?

Consultation responses

All the respondents agreed with the proposal to increase the upper limit for annual energy consumption in the definition of micro business in the Order to enable businesses that typically spend £10,000 on gas or electricity per year to have access to complaint redress via the same route as micro businesses which are currently eligible.

One consumer organisation felt that many micro businesses lack the expertise to negotiate contracts and are penalised by energy suppliers because of their limited purchasing power, relatively low energy consumption and unpredictability of their demand. The proposal would give more small firms an increased level of consumer protection through changing the consumption levels.

Government response

DECC will make amendments to the Order to increase the upper limit of annual energy consumption in the definition of micro business in the Order to:

- a consumption of no more than 100,000 k Wh of electricity per year, or,
- a consumption of no more than 293,000 k Wh of gas per year.

Q2. Do you agree that the changes to the micro business customer definition should mirror changes proposed by Ofgem to SLC7A?

Consultation responses

All the respondents agreed that the changes to the definition should mirror changes by Ofgem to Licence Condition 7A. Respondents expressed a need for consistency between the Order and Ofgem's licence conditions, for the purpose of protecting micro businesses.

One supply company confirmed that it already treats all of its business customers as micro businesses for the purposes of SLC 7A, and the change to the Order would therefore have no impact on their customer service for business customers.

One consumer organisation was keen that the changes to definition did not limit the regulator and policy makers' ability to develop new consumption based definitions to afford micro businesses increased levels of protection. This will be reviewed as part of Ofgem's monitoring of impact of Retail Market Review.

Government response

The changes to the Order mirror the changes already proposed by Ofgem to Standard Licence Condition 7A and which come into effect on 31 March 2014.

Annex A

List of Respondents

Consumer Futures

EDF Energy

Energy UK

Federation for Small Business

National Grid

Ombudsman Service: Energy

Npower

Scottish Power

Scottish and Southern Energy

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