

# SGF

Scottish Grocers' Federation

[www.scottishshop.org.uk](http://www.scottishshop.org.uk)

Promoting Responsible Community Retailing Since 1918  
to ensure a sustainable and prosperous convenience industry in Scotland



## **Ofgem Non-domestic market review: Findings and Policy consultation**

**Sent by E-mail to:** [NonDomesticRetailPolicy@ofgem.gov.uk](mailto:NonDomesticRetailPolicy@ofgem.gov.uk)

(Link to consultation page: <https://www.ofgem.gov.uk/publications/non-domestic-market-review-findings-and-policy-consultation#msdyntrid=CiUib8yZzAuW2sgV7gWRCxAkNIIQDSXBAXYJMIACgo>)

25<sup>th</sup> August 2023

To whom it may concern,

### **Ofgem Non-domestic market review: Findings and Policy consultation**

The Scottish Grocers' Federation (SGF) is a trade association for the Scottish Convenience store sector. There are 5,098 convenience stores in Scotland, which includes all the major symbol groups, co-ops and convenience multiples in Scotland. SGF promotes responsible community retailing and works with key stakeholders to encourage a greater understanding of the contribution convenience retailers make to Scotland's communities. In addition, Convenience stores are known to be economic multipliers and an important source of local employment, providing over 49,000 jobs in Scotland.

Convenience stores trade across all locations in Scotland, providing a core grocery offer and expanding range of services in response to changing consumer demands close to where people live. According to our Scottish Local Shop Report 2022 (SLSR 2022), the valued services provided by local shops include post office services (27%), bill payment services (78%) and free-to-use cash machines (49%).

With the UK convenience sector expected to grow to £48.6bn by 2025, the sector is more relevant than ever to every type of customer and has key social benefits and is of key economic value to the economy. Over the last year, the UK convenience sector contributed over £9.7bn in GVA and over £9bn in taxes (SLSR 2022).

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1

Find us on



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## Consultation

Energy costs area significant issue for our members and SGF welcomes the opportunity to respond to the Ofgem market review of Non-domestic Energy Policy.

Near the end of 2022, SGF carried out a member's survey which highlighted that energy costs are, by a significant margin, the greatest concern for members (50%), with the Cost-of-Living crisis in second (21%) and the legislative burden (11%) third, of the eleven issues cited.

Of members who had recently renewed their energy contract, over 55% had seen a level of increase of 200% or more. With around 20% experiencing a 400% increase or more. Over 88% over respondents reported that the increase in energy costs could put their business at risk of failure.

In order to mitigate the rising cost of energy a significant number of our members regularly carry out energy saving measures and use sustainable energy sources, such as renewing older model fridges, installing doors on fridges and freezers, installing of LED lights that are on timers and installing solar panels for their business etc. Which has the added benefit of reducing energy costs across the year.

Figures in our Scottish Local Shop Report 2022 show that 48% of stores have installed chiller doors to save energy, 46% now have LED lighting and 6% use solar panels to subsidise energy use. Over a third of stores also use a smart meter to help ensure energy costs are as efficient as possible.

SGF regularly shares updates from Business Energy Scotland (BES) with our members on 'help for SMEs to cut energy costs'. This includes the 'solar PV fast track assessment' and The 'energy efficiency assessment' offered by BES and the Scottish Government's SME Loan Scheme.

SGF also recently took part in the UK Government's 'Help for Households' energy saving campaign. Which can be viewed at: <https://helpforhouseholds.campaign.gov.uk/energy-saving-advice/>

Many convenience retailers in Scotland are already facing an extremely challenging trading environment. Alongside soaring energy costs, rising inflation and interest rates and the cost-of-living crisis is having a significant impact on customers, footfall, and household budgets.

The recent survey of SGF members shows that, in extreme cases, some convenience retailers are experiencing an energy cost increase of up to 800%, some operators may be forced to increase prices across their stock, to cope with the associated losses and extra costs. Indirectly impacting household budgets, inflation and on vulnerable people.

The sector as a whole is among the hardest hit by the issues mentioned above. The cumulative cost burden of legislation and high business rates on top of the pressure of these other factors are significantly adding to vulnerability of many businesses. That may mean fewer jobs in the community, a decreased tax take, and fewer choices for customers.

Therefore, SGF agrees with Ofgem's aims of reforming the non-domestic energy market. Noting that many convenience retailers share the concerns highlighted within the consultation document. In particular regarding overcharging, poor service, and high prices. We also welcome the actions already taken by Ofgem to hold suppliers to account on deemed contract rates, security deposits and fixed price contracts.

We also note and broadly support the proposed measures including more supplier accountability and assistance for businesses on fixed contracts or those who wish to switch contract. In addition to welcoming the recommended changes to regulations on customer complaints, standards of conduct, transparency, deemed tariffs, intermediary dispute resolution and expanding access to the Energy Ombudsman.

However, while note that it is beyond the remit of the regulator, we believe that there is more that can be done to aid businesses in cutting energy costs and transitioning to low carbon alternatives. This could include schemes directed specifically at small businesses and the retail sector, with additional support and incentives in place that would provide a long-term energy benefit for local shops and their customers.

Our members have informed us that they would like to invest more in energy saving and green energy alternatives for their store, but that would require reducing the financial burden in other areas, such as business rates for example.

### **Pricing and contract behaviour**

SGF agrees with the position set out in the consultation on improving pricing transparency. It is essential that retailers have due notice of price changes and forward information in order to understand energy costs and usage throughout the year. Likewise, there should be a simple breakdown of tariff options available, and recommendations based on usage, to enable busy retailers the opportunity to switch without significant disruption.

For the reasons set out above we strongly support the principle of 'significantly exceeds' and agree that suppliers should review deemed contract rates quarterly. Small businesses are very vulnerable to significant changes and unable to absorb shocks in energy prices. Therefore, it is crucial that suppliers provide tapered adjustments and reasonable rate changes wherever possible. Likewise, any drop in wholesale energy cost should be reflected within the consumers energy contract.

### **Competition in the market and customer service**

SGF believes that many small and micro businesses are unaware of the support and assistance available to them and therefore agrees with the measures being suggested.

Convenience retailers work very hard, with 11% working more than 70 hours per week and 28% taking no holidays throughout the year (SLSR 2022). This represents a challenge for many shop owners, who may not have the time to engage with energy transition programmes, such as those provided by BES.

In particular, SGF would like to see broader access to the Energy Ombudsman, streamlined complaints procedure and an improved customer service code of practice. As set out in the consultation.

Many busy retailers simply do not have the capacity to engage with a lengthy complaints or appeals procedure and could be deterred from taking action, or even switching tariff or supplier, if the process is too onerous.

### **Some customer groups need focused support**

SGF strongly agrees and believes with this proposal. We believe that it is essential the convenience retail sector, which is at the heart of many communities, is included in the focused support available.

As discussed in the consultation, the category Micro Business Consumer definition should be extended to Small Businesses that find it difficult to actively engage in the energy market and do not have the time or resources to deal with poor supplier behaviours through the courts.

Action taken to engage with retail directly, on energy issues, presenting timely and cost-free support/measures would be the most likely to see an uptake in the convenience sector.

We trust that you will find our comments helpful and are happy to engage further with you on this important matter.

Yours sincerely,

Jamie Mackie

Policy and Public Affairs Officer (Scottish Grocers Federation)

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- SGF gives permission to Ofgem to publish its consultation response and to share this response internally with other policy teams who may be addressing the issues discussed.

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- SGF is also content to be contacted again in the future, in relation to this consultation exercise.

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