

Utility Regulator
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By Email Only

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Budget Energy/Flogas Natural Gas/Flogas Enterprise Solutions response on Improving the Non-Domestic Consumer Experience

Flogas Northern Ireland (NI), Flogas Enterprise Solutions (FES), and Budget Energy Ltd welcome the opportunity to respond to the Utility Regulator's (UR) consultation on "Improving the Non-domestic Consumer Experience".

Flogas and Budget Energy are committed to advancing transparency and consumer empowerment within the energy sector. Budget Energy, based in Derry, Northern Ireland, serves over 100,000 electricity customers, while Flogas NI and Flogas Enterprise Solutions contribute significantly to energy provision across the region. Together, we supply gas to 14% of businesses connected in Northern Ireland. We also have a growing share of the business electricity market. Notably, 67% of our business falls within the current definition of "Small Business"¹. Our entities are part of the DCC plc Group, with a portfolio of renewable energy generation, including solar, wind, and anaerobic digestion. Our collective views on this consultation are as follows.

While we support the UR's overall aim of improving consumer experience, we feel any measures implemented by the UR should also create a platform to promote competition within the Northern Ireland energy industry. We consider this to be the first step in a scheme of work which will redesign the energy market within Northern Ireland. While we can see there are further works within the UR's forward plan to address issues raised in the Review of the Regulation of the Non-Domestic Retail Market Position paper, some of the topics have been considered due to their relevance to non-domestic customer experience and also, competitiveness within the sector.

¹ Data source- [q2-2024-qremm-report.pdf](#)

Small I&C sector relates to any customers using less than 73,200 kWh per annum

What are your views on the suitability of the scope of coverage for these measures applying to Small business defined as annual consumption of 0-50MWh for small Industrial and Commercial (I&C) electricity customers and 0-73.2MWh for small I&C gas customers?

It is our view that the current definitions for small business customers (0–50 MWh for electricity and 0–73.2 MWh for gas) are fair and suitable for Northern Ireland's market. Any changes to these thresholds should only happen if there's clear evidence showing a large negative impact on customers above these levels. It is crucial to consider measures that provide adequate protections for these groups where evidence of harm has been presented, considering their specific needs and challenges. The paper identifies potential new areas for research, such as the farming sector and domestic consumers supplied by non-domestic contracts. Any research should focus on the identification of significant evidence of any potential issues associated with these customers experience and, a full impact assessment should be completed before discussing any changes and outlining the cost to benefit analysis. This approach would allow suppliers to offer targeted assistance where it is most needed, promoting a balanced and supportive energy market.

Should suppliers be mandated to provide transparent price information for small businesses on their website? If so, please describe what format should this take? Please provide a clear rationale to support your answer.

Do you think that this required pricing information should include standing charges, unit rates and all other associated charges per electricity meter and gas meter, which is available for a Small Business Customer to enter a supply contract?

As a supplier, we believe publishing standardised tariff information on our websites will create unnecessary complexity and potentially disrupt the effectiveness of the current system. At present, suppliers should provide detailed pricing information to the Consumer Council Northern Ireland (CCNI) platform which requires customers to register their contact details to view and compare tariffs. Requiring suppliers to also publish this information on individual websites could divert non-domestic customers away from the CCNI platform, reducing the benefits of a single trusted source. This duplication may confuse customers and complicate their decision-making process.

Another important point is that small business tariffs are often tailored through negotiation based on individual consumption patterns. Publishing a set list of tariffs on a website could potentially therefore be misleading. Not all non-domestic tariffs can be standardised or accurately represented online.

The UR also points out that the data for small business may not be updated regularly by some suppliers. While this is the case, we would be of the view that suppliers that do not update their pricing data might miss out on potential sales.

Northern Ireland already has a strong licencing regime and Codes of Practice (COPs) in place, and new licence conditions could lead to unnecessary burdens and increased costs for suppliers. We believe that the Utility Regulator has not presented a clear evidence-based rationale for the proposal.

The "Non-Domestic Consumer Research 2023 Interim Report" indicates that businesses struggle with understanding and comparing tariffs. The non-domestic market has many intricacies, such as meter type, area, and consumption, making it challenging to publish all tariffs due to their dynamic nature. Maintaining and updating any website to publish this information would be a significant task.

Additionally, 30% of businesses consulted an energy broker when choosing their current contract. Ensuring transparency in broker services could help businesses make more informed decisions. The UR, working with the Department for the Economy (DfE) should consider how a framework for the direct regulation of brokers/ third party intermediaries (TPIs) can be introduced in NI. Implementing rules and requirements directly on TPIs or brokers is the only approach to take with these market stakeholders given the different business models for TPIs. In many instances TPIs may not have a direct relationship with a supplier meaning their actions are outside of the current regulatory requirements. Ofgem and DESNZ in GB has learned that regulation of these entities through the imposition of requirements on energy suppliers results in end customers having very different experiences and receiving inconsistent potentially misleading information. Furthermore, the direct regulation of suppliers in GB has potentially led to the establishment of more novel TPI business models². This is not what any stakeholder wants to happen in NI and so that is why we suggest that the first step should be around the investigation of how TPIs can be directly regulated. This could include requiring brokers to clearly disclose their fees and compensation, implementing standardised information requirements for brokers to ensure consistent and comparable information about energy tariffs and contracts, and establishing a code of conduct for brokers to ensure ethical practices and protect consumers from misleading or unfair practices.

We recommend that suppliers should not be mandated to publish these tariffs on their websites, the focus should remain on supporting CCNI as the central platform for transparency and accessibility, supplemented by additional guidance where necessary.

Should energy suppliers be required to publish information on their websites sign-posting non-domestic consumers to relevant support and advice services? Please provide reasoning to support your answer. If yes, how do you suggest that this measure should be implemented? (For example, licence requirement/ Code of Practice/ guidance document).

The UR should provide clear guidance to improve the support services offered by suppliers and outline additional support available for consumers. By establishing working groups to collaboratively develop solutions, suppliers can ensure that the needs of customers are satisfied while also improving services where necessary by sharing best practices. We believe that an impartial source, such as the Consumer Council for Northern Ireland (CCNI), would be most effective in continuing to provide such guidance.

² Department of Energy Security and Net Zero in Great Britain: [Regulating Third-Party Intermediaries \(TPIs\) in the retail energy market - GOV.UK](#)

Should non-domestic consumer bills include a standard, mandatory statement stating that the consumer may not be on the cheapest tariff and information on how to switch? Please provide a clear rationale to support your answer. If yes, how do you suggest that this measure should be implemented? (For example, licence requirement/ Code of Practice/ guidance document).

We do not believe that it should be mandatory for non-domestic energy bills to include a statement advising customers that they may not be on the cheapest tariff, along with instructions on how to switch. The UR and other government bodies must address the 61% of consumers who are not aware of supplier obligations (as stated within the consultation paper), educating these customers to become more engaged with their supplier through mediums such as readily available advice, direct information sessions, guidance, and advice services can support business in managing their supply. The suggested mandatory statements leave customers who are already in contract to be potential liable to additional penalties if they were to change during their fixed term contract, thus driving the wrong customer behaviours. The UR should look to make improvements in communications and potentially media campaigns as to how consumers can become more engaged with their supplier. Through more participation and engagement consumers can be empowered to correctly identify suppliers they feel is a better fit for their business, further driving competition.

Given the range of bill requirements already in place, we firmly believe any additional message will get lost and will not be worth the time and financial resources spent on bill redevelopment. Nevertheless, the level of non-domestic engagement must be increased. There must be a coordinated approach taken by trusted public sources, such as the UR or CCNI and government, to ensure that consumers are fully informed and aware of the potential benefits of switching.

Should there be a requirement for suppliers to provide non-domestic consumers with clear information around when the security deposit will be paid back to them, and require the supplier to confirm if there are alternative measures or options available other than the deposit? Please provide a clear rationale to support your answer. If yes, how do you suggest that this measure should be implemented? (For example, licence requirement/ Code of Practice/ guidance document).

We understand the importance of transparency and fairness in the handling of security deposits. However, we are concerned that additional regulatory requirements, such as mandating repayment timelines or formalising alternative measures, could reduce our ability to manage credit risk effectively and deliver tailored solutions that benefit consumers. Flexibility in implementing security deposit processes is critical for adapting to the diverse needs of non-domestic consumers, whose financial circumstances and energy usage patterns can vary significantly. A one-size-fits-all approach risks being overly rigid and could lead to inefficiencies that undermine consumer benefits.

When suppliers have the freedom to design their own processes, we can offer tailored solutions that align with customer needs, such as quicker deposit returns for “good payers” or alternative arrangements for businesses facing cash flow challenges. At the same time, this flexibility allows us to minimise financial risks from “bad payers,” ensuring that these risks do not unfairly burden other customers. Prescriptive regulations, such as fixed repayment timelines, could prematurely expose

suppliers to financial losses in high-risk cases and weaken the balance between protecting consumers and safeguarding suppliers' operations.

We believe that enhancing existing guidance is the best way to ensure transparency and fairness.

Should notice periods under deemed contracts be prohibited? Please provide reasoning to support your answer. If yes, how do you suggest that this measure should be implemented? (For example, licence requirement/ Code of Practice/ guidance document).

Customers coming to the end of fixed term contracts receive notifications in advance to make them aware of change in rates and alternative options. If a customer chooses an out of contract rate suppliers still have to forecast and supply energy. Without notice periods, the unpredictability of customer movement could result in increased costs which might ultimately be passed on to customers. We do not believe that reasonable notice periods should be prohibited.

Should the feasibility of an electricity prepayment meter solution for non-domestics be further explored? Please provide reasoning to support your answer.

It is our view that prepayment meters are not suitable for non-domestic consumers in Northern Ireland due to significant technical and operational challenges. These include the complexity of implementation due to the wide variation in business energy needs, tariffs, and potential disruption to cash flow for smaller businesses due to upfront payments. Additionally, the frequent top-ups required for high-consumption businesses may make prepayment meters impractical, and the £1k credit limit could pose a cash flow risk for suppliers. This may also result in suppliers offering premium non-domestic tariffs.

The "Non-Domestic Consumer Research 2023 Interim Report" indicates that businesses are concerned about managing energy costs, and prepayment meters could provide a solution for better budgeting and avoiding debt. However, we do not believe that prepayment meters are the solution. We suggest waiting for the smart solution rather than making changes to the current outdated system. Smart PAYG may be an option, but careful consideration is necessary to ensure the infrastructure works for these customers. Additionally, there are concerns about the logistics of installing and maintaining prepayment meters. Any consideration leading to such integral changes must include a detailed plan or timeline for exploration, along with impact assessments on potential benefits and challenge. Non-domestic consumers are subject to a 20% VAT rate compared to the 5% rate for domestic customers. Current prepayment meter technologies cannot adjust to different VAT rates in real time potentially leading to inaccurate charges and VAT returns to HMRC.

Conclusion

We agree there are improvements that can be made within the non-domestic consumer experience in particular the areas highlighted by the UR's market research. However, these changes should prioritise collaboration between all stakeholders, allowing innovative solutions that meet the needs of the whole market and that promote competition. A one size fits all model should be avoided and would risk undermining competition within the industry. In addition, the implementation costs associated with execution of some of the proposed measure may be prohibitive given that the non-domestic market is fast paced and ever changing. Further work is now needed to allow suppliers the opportunity to improve experience and become best in service without stagnant requirements that do not meet the specific needs of consumers.

Flogas and Budget Energy would like to propose the establishment of a non-domestic energy market stakeholder group to enhance and facilitate consumer engagement within the sector. This group should have the authority with the UR to create guidance documents allowing each supplier to have their own processes and business facing solutions to address the issues raised within the market research. Mandating and adding requirements to suppliers will create an industry with limited competition or an inability to become best-in-class standouts for consumer services.

We welcome the opportunity to participate in future workshops and in partnership towards our shared goals. Thank you for considering our input and we look forward to continued engagement.

Yours sincerely,

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Regulation & Compliance Team

Budget Energy