

Information Response To The Utility Regulator's Consultation Document Dated July 2018

Who We Are

We are a locally based energy consultancy and brokerage offering a range of service options from initial energy procurement through to full contract management.

We have been operating in the Northern Ireland energy market since market opening in 2005, initially as a direct sales agency for ESB Independent Energy and since 2009 as a third party intermediary (TPI) offering independent energy consultancy and brokerage services.

Who We Work With

We have well established commercial relationships with all of the main suppliers currently operating in the Northern Ireland energy market.

Electricity – we work with all suppliers currently operating in the industrial and commercial sectors with the exception of Budget Energy, Click Energy and Vayu.

Natural Gas – we work with all suppliers currently operating in the industrial and commercial sectors with the exception of Firmus Energy and Vayu.

We are one of the few third party intermediaries (TPIs), if not the only one, to work with such a wide range of suppliers. This gives us a degree of independence in our dealings with customers which other consultants or brokers do not have and we offer a range of additional and complimentary services that others are unable to provide. With both this experience and length of time operating in the market, we consider this gives us a unique insight into the current operation and ongoing development of the Northern Ireland energy market.

Who We Work For

We operate mainly in the > 70 kVA market at the multi rate tariff level.

Our customer base typically comprises those companies and other types of organisation which have significant levels of consumption but may not necessarily have direct access to dedicated account management at supplier level or have any in-house energy resource or expertise.

We have fewer dealings at lower levels of consumption ie. sub 70 kVA where supplier offers at non-interval tariff levels tend to be less complex.

This situation may change soon as one of the main suppliers in the market has, in the last week 13th August 2018, withdrawn all fixed price contracts at all tariff levels for both new and existing customers. We are currently monitoring the situation as new contracts being issued for all interval and non-interval tariffs are now being offered on an energy only rate plus regulated charges basis. This introduces an additional level of complication over and above what was previously available at this tariff level.

What We Do

We provide an extensive range of services including :-

1. energy procurement and advice
2. a single point of contact for all energy related matters
3. bill monitoring and checking
4. energy efficiency
5. contract management

All our services are provided on either a chargeable time basis or combined into one of two additional service agreements. Our standard service agreement covers items 1 to 4 above. An enhanced service agreement covers everything already included in the standard service agreement plus contract management.

Energy Procurement And Advice

We provide our customers with a detailed yet easily interpreted analysis and summary of the various supply options available to them, based on both price and other relevant factors eg. requirement for security deposits or other contract terms and conditions.

The many different types of supply option offered at this multi rate tariff and consumption level are complex and can be difficult for the average customer to interpret and understand without some form of outside assistance.

Suppliers currently offer either fixed or variable priced tariffs and, in some cases, a combination of both. Some suppliers also only provide the customer with a tariff rate sheet and without any supplementary analysis. For those suppliers who do provide a supplementary analysis or summary, it is normally too complicated for the average customer to understand and has, therefore, limited value in assisting the customer to make their decision.

We see our role as one of cutting through the many varied and complex tariff options available in this sector of the market, analysing the content and providing the customer with a clear and concise like-for-like comparison. We present the customer with a report summarising all options available in an easy-to-understand format, with recommendations ranked by price and other relevant criteria and upon which they can make an informed decision as to what represents best value for money and is best suited to their individual needs.

Although we will always carry out a full market comparison initially and at each contract renewal, it is not unusual to find little difference between the various supplier offers. Where there is either no significant cost saving or other benefit accruing from the analysis work carried out, we would often advise the customer that their best interests are served by remaining with their current supplier.

A Single Point Of Contact For All Energy Related Matters

Our target market comprises those customers with significant levels of consumption but who may only have limited or no access to direct account management from their current supplier and / or may not have any in-house energy expertise to rely on.

The standard and enhanced service options available were designed to give the customer a single point of contact where they could lift the phone and get advice or guidance on any number of energy related matters. Some examples of the type of issues that have been covered under the service agreements include :-

- billing issues
- requests for specific analysis and reports for internal meetings
- change of tenancy requests
- site re-energisations or de-energisations
- liaison with the network operator.

The availability and variety of services offered under the service agreements have been popular with the customers. A testament to this is the length of time some of our customers have been with us stretching back, in some cases, to 2009.

Bill Monitoring And Checking

Ongoing monitoring of billing over the course of a contract remains an important part of our work for the customer. We would normally expect that, once agreed, rates are applied and billed consistently throughout the term of the contract and, in the majority of cases, this is exactly what happens. However, where mistakes do occur, it is important that these are picked up at an early enough stage and that the customer can rely on someone to liaise with the supplier and assist in the resolution of any issues.

This is probably best illustrated by giving some examples of billing issues which have been dealt with recently and how these have been resolved. They are attached as Appendix 1 following.

Energy Efficiency

We will normally be the first point of contact for the customer for any advice or guidance needed on energy efficiency related matters.

While we do have in-house expertise in some areas of energy efficiency, over time we have also worked with a wide range of other consultants in this field. Where we feel we do not have the necessary expertise in-house in a particular area, we will quite often refer the customer to one these other consultants.

Contract Management

Previously only available to very large consumption customers, some suppliers will now offer us a more flexible type of multi rate contract for customers in our particular target market. These types of contract tend to be more flexible in terms of rates offered, length of term available and offer the very valuable feature of being able to fix rates at different points throughout the contract term. These contracts require careful monitoring and ongoing management throughout the contract term to maximise the cost-saving benefits for the customer.

Fee Structure

Our standard fee structure is based on time-based billing for work done. The standard or enhanced service agreements offered can be billed on a one-off basis or included in the unit rate charged which spreads the cost of the service over the duration of the contract period.

The customer is free to choose which of the two service options available is best suited to the needs of the business or to simply opt for time-based billing when a particular service is required.

The customer is free to add to or reduce the level of service option taken at each contract anniversary or remove it altogether.

Spreading the cost of a selected service over the contract period is popular with those customers that opt for it. It provides a seamless service throughout the contract period, budgeted for at the outset and with no additional costs arising for other work which may be required. This is particularly useful in those organisations where either budget availability or other administrative restrictions would prevent any additional work being carried out.

Our Current Procedures And Compliance

We have established procedures in place which govern all our dealings with both the customer and the supplier.

Letter Of Authority

We are required by all suppliers to have a formal and current Letter Of Authority in place before the discussion or actioning of any matters relating to the customer.

The Letter Of Authority is signed by the customer and authorises us to request consumption data, liaise with suppliers on their behalf and compile a comparison and summary report of all current relevant options available in the market.

The Letter of Authority also clearly states any fees or other charges payable and the different options available by which these can be levied.

With the introduction of the EU General Data Protection Regulation (GDPR) which came into effect on 25th May 2018, suppliers have greatly enhanced the information requirements and format of Letters Of Authority. Some have also now introduced formal templates outlining particular information requirements. These must be rigidly adhered to before we can have any engagement with the supplier relating to the customer and clearly define what we can and cannot do for the customer together with what the service will cost.

Supply Contract

After reviewing our analysis and comparison report, if the customer is happy to proceed with our recommendations, we will ask the supplier to issue a supply contract (new or renewal). Each of the main suppliers' contracts clearly details the contract rates agreed with the customer together with any additional charges included and the contract term applicable. Any commissions and / or other fees payable are usually stated either on the face of the contract document itself or as a supplementary note on the pricing section of the contract.

The contract document is signed by the customer and returned directly to the supplier for counter signing. The countersigned copy is returned to and retained by the customer.

Sales Checklist

For our own internal reporting and disclosure requirements, we also employ a Sales Checklist document which the customer completes at time of contract signing.

The format of the checklist is similar to one used during our time working in the domestic energy market and ensures strict compliance with the supplier's procedures. The value of the checklist itself is in its role in eliminating any potential ambiguity in dealings between ourselves and the customer.

The checklist reiterates the information already contained in the initial Letter of Authority. The customer is required to check off each item as it is explained :-

1. contract energy rates
2. contract type - fixed or variable
3. contract length
4. payment terms and method
5. commissions or fees payable and how these are levied and collected

The customer is then required to sign off and date the checklist document as evidence of their agreement to the points covered.

Utility Regulator (UR) Consultation

General

In current and previous discussion documents issued by the UR, various options have been put forward to :-

- Achieve fairness and honesty in the sales and marketing process
- Provide clear and concise offers that are clearly understood by the customer
- Increase the levels of transparency in all transactions and dealings with the customer

We note that some proposals such as licensing the activities of third party intermediaries (TPIs) or introducing some form of Code Of Practice have been considered but subsequently ruled out in the short term for legislative or administrative reasons.

Regulation / Voluntary Code Or Practice

Our own preference would be for the introduction of some form of regulation or the establishment of a formal code of practice for all TPIs operating in the market.

We have been aware of a significant increase in TPI activity in recent years, particularly from GB based energy consultancies and brokerages. Most of these operate in the Northern Ireland market either remotely or through locally appointed sales agents or lead generators. They put significant resources into their sales efforts with extensive telesales and direct marketing campaigns. This is very different from our business model where the bulk of our business comes from direct customer referral.

Despite purporting to offer a fully independent service, it seems to us that most of the other TPIs currently operating in the market are only working with one or two main suppliers. Few, if any, work with the range of suppliers that we do and, consequently, cannot offer either the same level of independence or range of service that we do.

Proposal To Publish Commissions On Customer Bills

The current consultation document issued to suppliers for response looks at the publishing of commissions on monthly bills as the favoured option to increase transparency in all dealings with the customer.

Our view is that this is too late in the overall process and the proper place to deal with commissions and / or other charges is at the beginning of the sales process itself ie. at time of contract signing.

We feel that our existing procedures, as described earlier and developed over a long period, are sufficiently robust to provide the levels of transparency being looked for by the UR. There are three separate occasions and documents right at the beginning of the process which detail all relevant commissions and / or other charges. They are clearly displayed on each of the Letter Of Authority, Supply Contract and Sales Checklist documents all of which are required to be signed by and copies retained by the customer.

There is no reason why similar procedures cannot be introduced, enhanced, agreed and implemented between the suppliers and TPIs to tighten up on the while procedures governing interaction and transparency with the customer.

We would go further and ask the UR to consider asking suppliers to publish not only just the rate of any ongoing commissions on their contracts, but also state any up front one-off fees that may have been payable to TPIs or sales agents for the acquisition.

Our only misgiving regarding the visibility of commissions on customer billing is the disclosure of our own commercially sensitive information ie. gross margin to our competitors with no regard to what ancillary services are being supplied.

Suppliers

The suppliers will respond directly to the current consultation document with their own views and recommendations on the publishing of commissions on monthly bills.

From a purely personal perspective, we would be asking the suppliers to clearly distinguish between any commission element included in the unit rate and the element which we would charge for the service level option which the customer has agreed and which forms part of the contract. Classifying all of this as 'commission' would be both an unfair and inaccurate representation of what is being provided.

Any existing arrangements in place are part and parcel of the current supply contract between the supplier and the customer. We would also argue, therefore, that any proposed changes to those arrangements would necessitate the termination of the current supply contract and re-issue of a new one.

If, as has been suggested, there have been issues over the way commissions and other charges have been dealt with by some TPIs in the past, we can foresee a situation arising where the publishing of commissions on monthly bills could potentially lead to other problems for the supplier. We are aware that most of the TPIs and, particularly those based in GB, have limited contact with the customer on an ongoing basis after the initial contract signing.

Any reaction by the customer provoked by the publishing of commissions on monthly bills which they feel were not agreed properly at the outset will, in the first instance, have to be dealt with by the supplier since are the issuer of the bill. The worst possible scenario for the supplier is one where they are dealing an increasing number of queries from customers which would require additional resources to deal with.

Most supply contracts issued are still for a relatively short term. The opportunity exists, therefore, to limit any problems like this at each contract renewal. Contracts are continually renewed on a rolling basis each month and any anomalies arising will work their way out of the system over a relatively short period of time.

Customers

Although we feel our own internal procedures are robust enough to provide the level of transparency required, we have kept our customers up to date on the discussion documents issued by the UR from November 2017. We have also had the opportunity to canvass opinion and gauge reaction to the proposals that have been put forward at each stage.

Some customers have indicated to us that they would be unhappy with any proposal to publish commissions and / or other charges separately on monthly bills, considering this to be an alteration to the terms and conditions which had been previously agreed at a contractual level. The point was made that monthly bills are widely available within a business or organisation and accessible by staff of all levels. It was felt that any proposition to disclose something other than what had been agreed at a contractual level by senior management was a breach of what they had considered to be of a confidential and commercially sensitive nature.

Some went further and questioned whether the supplier had the authority to make an amendment or alteration to something which had been agreed previously and which had formed the basis of what was considered to be a legally binding contract of supply.

We also one case where the customer, whose monthly bills were used for cost distribution on sub-divided premises, was vehemently opposed to the proposal and considered that its introduction would cause them great difficulty. They took the view that the current proposals would constitute a serious breach of the confidentiality with which they agreed their current supply contract and that, in the event, of any form of the proposal going through, they would actively seek an opt out from their current supplier.

Appendix 1

Some Examples Of Recent Billing Issues Dealt With

Example 1

The customer should have been exempt, by virtue of charitable status, from paying Climate Change Levy (CCL) and been subject to VAT at a reduced rate of 5%.

On taking over the site, we discovered that the customer had been billed CCL and VAT at the standard rate of 20%.

We were able to get the supplier to agree the charitable status of the site for subsequent billing and also prepared a report allowing the customer to reclaim CCL and the differential VAT paid for the previous six years period. The total amount reclaimed by the customer was in excess of £25,000.

This customer was already on our enhanced service agreement at the time and all work done to facilitate the refund claim was covered under the terms of this agreement and at no additional cost to the customer.

Example 2

On contract renewal in 2017, the customer asked us to review quotes which he had requested directly from a number of suppliers and to provide him with a comparison and recommendation on the best option. We prepared an analysis and summary comparison on all of the offers. On completion, our recommendation was to renew with his existing supplier.

The customer was not on an existing service agreement with us at the time and so a fee was agreed for the work done beforehand and charged when completed.

On contract renewal in 2018, the customer approached us again to carry out the same exercise as before. This time with the offers he had enclosed his previous 12 months billing so that we could also provide an analysis of the likely increase in cost for this current year's renewal.

The site was half-hourly metered. On reviewing the billing, we noted that the supplier was not billing the tariff which had been quoted and agreed at the previous year's renewal. The tariff being billed also had a bias towards night time usage and didn't appear to us to be suitable for the consumption profile of the business. We estimated that this had resulted in an overcharge in excess of £2,000.

The customer was unable to resolve the issue with the supplier directly and asked us to prepare an analysis to support a claim from the supplier. Once completed, the calculated overcharge amounted to £2,300 plus VAT which the customer was then able to recover from the supplier.

This customer was not on either of our service agreements at the time. A fee was agreed for the additional work done to support the reclaim of monies from the supplier beforehand and charged when complete. Had the customer been on either the standard or enhanced service agreement at the time, all work in support of the claim would have been done under the terms of the service agreement at no additional cost to the customer.

Example 3

The customer changed supplier and was aware, after a short period, that they were being billed at a level which was much lower than would have normally been expected. On investigation, we found that the problem related to two meters in the premises which required the actual read given by the meter to be multiplied by a factor of 10. The reads being given by networks to the supplier for billing were therefore only a tenth of what they should have been. The customer was also concerned that, once corrected, the bill generated would be abnormally high. We were able to get both the meter read issue resolved and also agree a suitable payment plan for the customer to account for the amount underbilled and being recovered by the supplier.

This customer was on our standard service agreement at the time and all work done to facilitate the correction of the meter issue and agreement of a payment plan was covered fully under the terms of this agreement with no additional cost to the customer.