

P432 Review

17th February 2022 – Supplier quoting exercise
conducted by Business Energy Direct

Introduction

As a serial award winning, industry changing energy consultancy, Business Energy Direct chose to participate in the P432 workgroup as a result of identifying significant detriment to the customers that will be impacted by the resulting industry changes.

Customer detriment as a result of industry changes may be financial. A result of higher cost. Changes can also create a time burden on the customer. In this instance, Business Energy Direct believed that both could be evidenced by conducting a quoting exercise with industry suppliers.

The pricing exercise

As consultants to thousands of customers, many of which have Half-Hourly settled supplies, we are already familiar with the additional effort that is required to obtain offers from energy suppliers. However, not all customers use consultants or TPIs, with around 40% engaging with suppliers directly.

Business Energy Direct wanted to demonstrate how difficult it is for a customer to engage with the suppliers in this sector of the market and also the effort needed to obtain offers directly from suppliers. Knowing where customers would likely fall short when approaching the suppliers, we adopted a 'standard' consultant approach in an attempt to maximise the supplier's opportunity to return an offer

The process

Emails

We created 10 email addresses, using numerous domains and email formats. Terminology used in the body of the email was neutral and worded as a typical customer email is. The suppliers didn't have any way to identify that the emails were being sent by a party working in the industry. Each email was unique and a standard format was not used.

Acting just as a customer approaching a supplier will and does, we emailed the first, most suitable email address we found on each supplier's websites. We did not engage with any of our supplier channel contacts, with no other parties being aware of this exercise being conducted.

Emails were sent at random times over a three day period (7th, 8th, 9th February), to prevent any suspicion from the suppliers.

The process – maximising the opportunity

The detail

We used 10 different limited companies and 10 MPANs from different REC areas. Each email contained the name of the limited company and the company number (the latter is often not provided by customers, however suppliers request it for quoting usually).

All 10 companies had Experian credit scores of 92 and above (out of 100) and they were selected from low risk sectors of industry (none from hospitality or leisure) because the suppliers would see these as 'good' customers.

Each quote request was sent with actual Half Hourly data (customers don't typically provide this, as consultants we have to obtain it for them). The lowest number of data days in any of the files was 300.

Consumption ranged from 28,735 – 81,157 KWh year, with ASCs of 15 – 45 KVa.

Suppliers

All suppliers were asked to send a quote on 17th February 2022 (with a 4:30pm deadline), with the start date of a new 12 month fixed price contract to commence from 1st April 2022 and the quote was to include their own MOP/DC/DA charges.

With every piece of information a supplier requires to generate a quote having been provided, we had ensured that there would be no reason for a supplier failing to send a quote. The suppliers had a minimum of 8 days to input the information so that the quotes could be generated on the 17th February 2022

Customer Number 1

Details:

Credit Score: 100

Consumption: 28,735.84 kWh

Actual HH Data: 300 Days

kVa: 15

Date Sent to Suppliers: 07/02/22

Notes:

Supplier F issued a quote on the 18th February which was after the deadline.

Supplier G refused to provide an email address to provide quotes – asked on webchat and they said the contracts team doesn't have an email address.

Supplier H declined to quote because consumption is under 30,000 kWh per year.

Supplier I declined to quote as it isn't taking Half Hourly meters.

Supplier J sent a quote 30 minutes after the deadline.

Suppliers A, B, C, D, and E didn't respond to the quote request

Customer Number 2

Details:

Credit Score: 100

Consumption: 37,162.09 kWh

Actual HH Data: 301 Days

kVa: 22

Date Sent to Suppliers: 08/02/22

Notes:

Suppliers D and I refused to quote as they aren't taking HH meters.

Suppliers F and J refused to quote because 365 days of actual HH data was not available. The current supplier only had 301 days of data.

Supplier G refused to provide a contact email address to submit a quote request to, insisting that all quotes are provided over the phone.

Suppliers A, B,C , E and H didn't provide a response.

Customer Number 3

Details:

Credit Score: 100

Consumption: 38,046.87 kWh

Actual HH Data: 300 Days

kVa: 22

Date Sent to Suppliers: 07/02/22

Notes:

Supplier B responded on 14/02/22 copying a colleague in asking them to pick it up. No response received.

Supplier C said that they couldn't find a live customer account on their system. A response was sent to advise that they were not the current supplier. No further response was received.

Supplier G refused to provide a contact email address to submit a quote request to, insisting that all quotes are provided over the phone.

Supplier J sent quote through on 08/02/22, which was before the required date. We reminded them of this and a further response wasn't received.

Suppliers A, D, E, F, H and I didn't respond.

Customer Number 4

Details:

Credit Score: 97

Consumption: 42,935.92 kWh

Actual HH Data: 300 Days

kVa: 25

Date Sent to Suppliers: 09/02/22

Notes:

Supplier D refused to quote because they aren't taking on HH metered supplies.

Supplier F refused to quote unless the company turnover, number of employees and a contact telephone number were provided. We responded advising that the company is a micro business. A further response was received that stating that they will not offer a quote unless the specific information and contact number is provided.

Supplier G refused to provide a contact email address to submit a quote request to, insisting that all quotes are provided over the phone.

Supplier H returned on 21st February advising of a system issue and that they would return the quote soon.

Suppliers A, B, C, E, I and J all didn't respond.

Customer Number 5

Details:

Credit Score: 100

Consumption: 44,210.84 kWh

Actual HH Data: 301 Days

kVa: 20

Date Sent to Suppliers: 07/02/22

Notes:

Suppliers D and I refused to quote because they aren't taking on HH metered supplies.

Supplier G refused to provide a contact email address to submit a quote request to, insisting that all quotes are provided over the phone.

Supplier F refused to quote because 365 days of actual HH data was not available.

Supplier H said they would issue the quote on 17/02/2022 however it wasn't received

Suppliers A, B, C, E, I and J didn't respond.

Customer Number 6

Details:

Credit Score: 100

Consumption: 53,840.29 kWh

Actual HH Data: 301 Days

kVa: 25

Date Sent to Suppliers: 08/02/22

Notes:

Supplier B replied on 17/02/22 copying in a colleague asking them to pick it up. A further response wasn't received.

Suppliers C and D refused to quote because they aren't taking on HH metered supplies.

Supplier F refused to quote because a phone number wasn't provided.

Supplier G refused to provide a contact email address to submit a quote request to, insisting that all quotes are provided over the phone.

Supplier J asked to confirm the date we wanted the quote for (even though it was listed in the quote request email). We responded reconfirming the date. A quote was issued 35 minutes before the deadline.

Suppliers A, B, E, H and I didn't respond.

Customer Number 7

Details:

Credit Score: 97

Consumption: 69,164.48 kWh

Actual HH Data: 302 Days

kVa: 33

Date Sent to Suppliers: 08/02/22

Notes:

Supplier F sent over a table to complete, requesting the very same information that was already provided in the quote request. A response was sent to them advising such, with the telephone number not being provided. The supplier responded with the table again demanding completion in order to quote.

Supplier G refused to provide a contact email address to submit a quote request to, insisting that all quotes are provided over the phone.

Supplier J issued a quote 30 minutes before the deadline.

Suppliers A, B, C, D, E, H, and I all didn't respond.

Customer Number 8

Details:

Credit Score: 100

Consumption: 77,016.21 kWh

Actual HH Data: 301 Days

kVa: 45

Date Sent to Suppliers: 08/02/22

Notes:

Supplier F sent over a table to complete, requesting the very same information that was already provided in the quote request. A response was sent to them advising such, with the telephone number not being provided. The supplier responded with the table again demanding a completion in order to quote. They also requested HH data for more than the 301 days it was available for.

Supplier G refused to provide a contact email address to submit a quote request to, insisting that all quotes are provided over the phone.

Suppliers A, B, C, D, E, H, I and J all didn't respond.

Customer Number 9

Details:

Credit Score: 94

Consumption: 77,880.78 kWh

Actual HH Data: 300 Days

kVa: 25

Date Sent to Suppliers: 09/02/22

Notes:

Supplier C asked us to contact a different team, which we did, however a response wasn't received.

Supplier F refused to quote without contact telephone number.

Supplier G refused to provide a contact email address to submit a quote request to, insisting that all quotes are provided over the phone.

Supplier H replied on 9th stating that they would issue the quote on 10th which was before the required date. We reminded them of the required date, however no further response was received.

Supplier J sent the quote through on the 10th. We advised that this was a week before it was required. No further response was received.

Suppliers A, B, D, E, H and I all didn't respond.

Customer Number 10

Details:

Credit Score: 93

Consumption: 81,157.45 kWh

Actual HH Data: 301 Days

kVa: 45

Date Sent to Suppliers: 08/02/22

Notes:

Unusually not a single compiled response was received to this quote request, only auto replies.

Summary 1

- Requests were submitted for 100 quotes from 10 different suppliers, including all but one of the UK's largest electricity providers.
- Only two quotes were received before the deadline despite an allowance of 8 days to compile and return.
 - Neither of the two quotes met the criteria of the fixed price contract meaning that not a single valid contract offer has been presented before the deadline.
- One quote was received shortly after the deadline and another the day after the deadline.
 - One of the quotes would have been considered valid if received before the deadline. The other was invalid as a result of supplier misrepresentation.

Summary 1 - Continued

- Suppliers A and E didn't respond to a single email. Only auto-replies were received.
- Supplier B passed the request to a different member of the team who didn't respond.
- Supplier C wanted the requests directed to another team, with that team not responding.
- Supplier F placed unnecessary obstacles in the way, which prevents quotes from being issued, however they did issue one offer, albeit a day late
- Supplier G refused to provide an email address to request quotes, insisting that a phone number is provided.
- Supplier H refused to offer a contract to a low consuming (less than 30,000 KWh) customer and failed to quote any others
- Supplier I refused to offer quotes to HH customers even though we know that they can.
- Supplier J was the most engaged however they failed to issue quotes to the set criteria and also misrepresented their product offer, something a typical customer wouldn't have identified.

Limited cost comparison

This is the second recent cost impact exercise carried out by Business Energy Direct. The first was conducted with a large portfolio of customers in our role as consultants, with savings opportunities already maximised for customers that have previously been migrated through P272.

We hoped to be able provide a more detailed view of the cost impact of P432, however with the small number of quote provided, which itself evidences a wider industry problem, we are only able to compare the four quotes received three of which are from one supplier. They do however further ratify the significant difference in cost already evidenced in the first exercise we conducted.

Customer 1 – HH v NHH comparison

HH CT metered customer

Contract Start 1/4/22

Consumption 29,440 Kwh of which Day (27,388KWh) Night (2,052 KWh)

Supplier F

Annual Cost	£10,797
Annual Cost (including low-cost customer MOP)	£11,007*

Supplier J

Annual Cost	£10,888
Annual Cost (including low-cost customer MOP)	£11,098*

*A cost of £210 was been added for MOP/DC/DA services. These costs are payable by customers if they appoint a meter operator. If the supplier provides services or appoints a meter operator, the annual cost could be as high as £824.69

NHH CT Metered customer

Contract Start 1/4/22

Consumption 29,440 Kwh of which Day (27,388KWh) Night (2,052 KWh)

14 Different suppliers quoting 27 different products at a lower cost than the equivalent HH metered supply.

Cost range £9,081 - £10,851

Supplier F are quoting £9,476 for their NHH tariff, which is £1,531 lower than their HH equivalent quote.

**HH v NHH cost difference - £1,926 /
£2,017**

Customer 6 – HH v NHH comparison

HH CT metered customer

Contract Start 1/4/22

Consumption 53,418 KWh of which Day (45,910 KWh) Night (7,508 KWh)

Supplier J

Annual Cost £16,998

Annual Cost (including low-cost customer MOP) £17,208*

*A cost of £210 was been added for MOP/DC/DA services. These costs are payable by customers if they appoint a meter operator. If the supplier provides services or appoints a meter operator, the annual cost could be as high as £824.69

NHH CT Metered customer

Contract Start 1/4/22

Consumption 53,418 KWh of which Day (45,910 KWh) Night (7,508 KWh)

8 Different suppliers quoting 17 different products at a lower cost than the equivalent HH metered supply.

Cost range £16,220 - £17,049

HH v NHH cost difference - £988

Customer 7 – HH v NHH comparison

HH CT metered customer

Contract Start 1/4/22

Consumption 69,215 KWh of which Day (63,281 KWh) Night (5,934 KWh)

Supplier J

Annual Cost £27,287

Annual Cost (including low-cost customer MOP) £27,497*

*A cost of £210 was been added for MOP/DC/DA services. These costs are payable by customers if they appoint a meter operator. If the supplier provides services or appoints a meter operator, the annual cost could be as high as £824.69

NHH CT Metered customer

Contract Start 1/4/22

Consumption 69,215 KWh of which Day (63,281 KWh) Night (5,934 KWh)

15 Different suppliers quoting 43 different products at a lower cost than the equivalent HH metered supply.

Cost range £20,862 - £27,207

HH v NHH cost difference - £6,425

Summary 2

Four quotes that paint the picture financially. An average difference per quote of £2,592 with the range of difference being £988 to a staggering £6,425.

Whilst the quote have been carried out on a like for like basis, customers in the NHH market are mostly being charged on a single rate tariff, with typical costs being lower on such a tariff.

Customers retain the option to choose single rate when contracting in the NHH market, however suppliers quoting HH customers almost exclusively quote for the more expensive day / night tariff.

Conclusion

The losses that customers will incur if P432 goes ahead are both very distressing and wholly unnecessary. A significant amount of time has been spent on two pricing exercises to provide evidence to the P432 workgroup and the evidence definitively shows this.

What this exercise doesn't show however is the amount of time that a customer needs to spend engaging with suppliers and for the most part, they won't even be issued a quote. The huge loss of time spent chasing suppliers (such an exercise could easily run into a full day or more for a small business) creates a secondary financial burden on the customer, as they are faced with Hobson's Choice. They either choose to focus on their business operation and let a contract lapse / expire or they find it necessary to spend literally hours compiling information and repeatedly chasing the energy suppliers that they despise. 100 quotes requested for the highest quality customers possible and not a solitary offer that could be accepted on the day quotes should have been issued.

As consultants, we are very aware that suppliers don't want low consuming Half Hourly contract customers. They are considered a burden because of the amount of time it takes to issue bespoke quotes which even when the market is stable, the customer has a very small window to accept, sometimes it's just minutes.

The Half-Hourly market does not work for small business customers, not from a supplier perspective and more importantly, not from a customer one either. It will not work until significant industry reforms take place and changes are imposed on suppliers. Lessons don't appear to have been learned from the failure of P272 and almost five years on, it's evident that not a single supplier is interested in what the supposed tariff innovation opportunities were.

The industry cannot be allowed to make the same mistake again with P432.