

P432 Cost Exercise

We are able to evidence considerable financial detriment that will be caused to customers, if P432 was to be approved.

We have conducted a cost exercise across the portfolio of one of our major clients, a well-known fast food chain. There are a number of reasons why their demographic is suitable for the exercise, one of them being that they are a franchise, with operational hours and equipment similar across the majority of locations. Consumption of the stores is low when considering the capabilities of CT Supplies that some of the locations have installed, and we have many clients with demand and consumption that is four to five times higher than that of a typical trading of the fast food chain's location.

The sample size we have used compares the cost of 1045 stores, not an insignificant number. These are made up of:

- 40 CT metered supplies currently settled Half Hourly
- 52 WC metered supplies currently settled Half Hourly
- 953 Non Half Hourly settled supplied in profile classes 03/04

This exercise doesn't consider the additional time that customers or consultants need to spend obtaining and reviewing quotes for Half Hourly settled supplies as opposed to the Non Half Hourly ones, it is exclusively based on cost. It's also important to note that the supplies were included in a tender process as part of a collective purchase arrangement for the group, with an effective start date of 1/9/20. All HH CT supplies have had their ACS reviewed historically, with the range being from 20KV_a to 40KV_a.

Projected costs (all based on 62,000kwh)

- 40 CT metered HH settled supplies - £9945.89*
- 52 WC metered HH settled supplies - £9858.22 – This makes the average HH cost £9902.05*
- 953 Non Half Hourly settled supplied in profile classes 03/04 - £8725.73

*Note that included in the HH costs is the annual meter operator contract (£210 for MOP / DC / DA) for services required for this class of supply. Some contracts are more than double that amount and where suppliers charge directly, they can be as much as £824 per year (noted EDF charges from customer invoices)

This evidences that typical SME customers pay around £1200 more per year if the supply is settled Half Hourly. The physical meter doesn't even need to be different, they could be identical and they often are, it was finding such that resulted in our starting the P272 challenge back in 2017. It's impossible to explain to typical customers why the adjacent premise that has the same meter type, same operating hours and same demand, pays 13%-14% less for electricity (in the best case scenarios), because it's completely without any sense or logic and I evidenced this in our 2019 MHHS response to OFGEM as attached¹, and I have evidenced it here once again.

Progressing with P432 results in a failure to adhere to the objective that Elexon set out to achieve:

c) promoting effective competition in the generation and supply of electricity, and (so far as consistent therewith) promoting competition in the sale and purchase of electricity;

If progressed with, the outcome will result in exactly the opposite, with fewer suppliers prepared to offer perceived low consuming customers, contracts for supply. Aside from having to pay more, it's quite feasible that a customer could have options to choose around 20 suppliers in the NHH market, however only 3 or 4 prepared to offer contracts once moved to HH. We are conducting a further exercise to demonstrate this, allowing the suppliers a minimum of 5 working days to provide the quotes and also providing the Half Hourly data to enable them to quote. In the above and my previous response to MHHS isn't already convincing enough, I expect the next exercise will be.

I urge others in the group to conduct their own exercise. Impacted customers deserve and expect a level of diligence to be completed, something that truly justifies change which will ultimately benefit them or at the very least, not senselessly penalise them. Nothing less than diligence is acceptable.

¹ See Response for Ofgem on Market Wide Half Hourly Settlement Part 1 and 2 attachments