

Dear Jonathan

I am emailing with my thoughts on Ofgem's proposed modifications as per the Microbusiness Strategic Review.

My background is that I have been working in the industry since the advent of de-regulation in 1998 as an independent broker and consultant. I run a small set-up and am probably no different to 100s of others throughout the country who work primarily for themselves or in a small team providing specialist brokerage and consultancy services to both SME and Corporate customers. I have extensive knowledge of the industry accumulated over many years and I note with interest that there were no representations at all from companies of this size during the initial review and welcome the opportunity to put my thoughts across now.

Transparency around brokerage costs.

Ofgem is proposing that brokerage costs be displayed as a total amount in pounds/pence over the duration of the contract term due to it being easy to understand, and mirroring other settings.

I do not believe that presenting brokerage costs in this way is fair or accurate and may ultimately do more harm than good if it is not carefully monitored. This is for the following reasons :

- Energy is not a fixed quantity therefore whilst estimates can be provided they are often based on incorrect initial data, lack of data, and assumptions that future consumption patterns will remain unchanged. Unless there is to be an agreed standard across the industry by which all suppliers and brokers must adhere to in their representation of consumption data at point of sale, then the very problem that Ofgem seeks to remedy – that of hidden commission – will not disappear but will simply shift by virtue of varying consumption models employed between different suppliers and brokers. Furthermore, how will Ofgem easily account for uneven or innovative contract durations (ie. 18, 30 months or 'fixed to' end dates) in this model when energy consumption is seasonal?
- This model does not take into account change of tenancies which occur regularly in the microbusiness market. They also do not take into account *when* the broker will receive the commission. If commission is to be displayed in this way then these caveats must be included in order to ensure transparency and fairness.
- If a cost value is to be provided why not display this over a 1 year term only regardless of the contract duration? I am not aware of any brokers that provide cost comparisons over any period other than 12 months. I have never done so nor been asked to do so. The entire industry including price-comparison websites work on cost forecasts over a 12 month period. Consumers do not perceive their costs over more than a 12 month period, even if

the rate is fixed for longer. Why then differentiate commission by drawing attention to this over the full term of a contract for those contracts greater than 12 months? It would be much simpler and fairer (and mitigates against the risk of forecasts being vastly inaccurate at the outset) to include a 12 month figure only with a caveat that this will also be paid in years 2 & 3 etc, subject to consumption remaining as forecast.

- Ultimately it would be much fairer and consistent with the way energy is paid for to highlight commission in p/kWh and p/day terminology. In my experience this is fairly straightforward to understand for consumers. I would suggest something along the lines of: 'If you take out this contract, we will pay X broker at the rate of Xp/kWh and/or Xp/day for the duration of this contract. This will be paid in full / 80% upfront / 50% upfront / monthly in arrears. If the contract finishes early for whatever reason, or debt remains on the account, we reserve the right to withhold or claw-back commission from the broker'.

Kind regards

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Director

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