



## **Call for input on the Non-Domestic gas and electricity market**

### **Love Energy Savings' response**

**March 2023**

Love Energy Savings.com Limited have two trading styles which operate within the B2B energy TPI market – Love Energy Savings (multichannel business utilities retailer, with a strong own-brand online presence) and Evolve Online Tech (business utilities aggregator - offering an online technology platform to sub-brokers). We work closely with over 15 suppliers across these two businesses. We have long and strong relationships with leading energy suppliers, and we also work hard to serve competitive and fairly priced products for our customers, in a way that makes it easy for them to engage in the market. Whilst our Evolve Online Tech platform allows our TPI partners to support their clients with finding a competitive deal, offering the same market-leading smooth switching process for UK businesses as they would receive under the Love Energy Savings brand.

The perspective this business structure allows, puts Love Energy Savings (as a group) in a strong position to comment across the non-domestic gas and electricity market. Below we have answered the questions where we feel we have sufficient and relevant experience of those issues in the non-domestic market. We would like to extend an open invitation to Ofgem for further discussions around the non-domestic market, as we would like to assist Ofgem in their goal of improving the non-domestic switching market whilst ensuring customers receive good outcomes.

**Love Energy Savings**



**Q2. Do you have suggested solutions to the concerns around high costs requested to secure a contract and manage risk?**

Given suppliers hedge for non-domestic fixed contracts agreed, fixed contract prices increased (in part) to account for this. However, there were intervals between December 2021 and December 2022 whereby hedging was highly likely unmanageable given the costs involved and there's the potential suppliers may have chosen instead to purchase energy at spot prices, as they were often cheaper. We are unsure what reconciliation process has occurred on contracts which fall into this category to reflect the reduced cost of purchasing spot prices rather than hedging.

Similarly, as noted within Ofgem's call for input, suppliers build risk premiums into their prices to combat the potential increase in wholesale energy. We are unsure if there are controls in place to regularly monitor those premiums throughout or at the end of the contract to reconcile them against actual wholesale costs. Also, whether this reconciliation analysis is used to ensure any surplus is refunded back to the customer. If something of this nature is not in place, we would recommend Ofgem consider the potential benefits this change might bring. Whilst it might not combat high risk premiums, it would be aimed at ensuring better customer outcomes overall and improved transparency of risk premiums added, which should go towards restoring customer trust in the market.

**Q3. Do you believe there has been an improvement in terms to contract as market conditions start to show signs of improvement? Please explain your answer.**

Since the market's recent improvement over the last few months, there have been no material changes to the credit criteria or restrictions set by suppliers. Suppliers are still taking a more risk averse approach when contracting with new and existing customers. However, we are starting to see some suppliers reverting to previous strategies by opening their pricing up to allow customers to agree contracts in advance of more than 6 months, i.e., 7-12 months in advance of their current contract end date.

Love Energy Savings work hard to drive competitive tension between suppliers, in relation to contract terms and pricing. We have a dedicated Supplier Relations Team and a pricing portal to enable us to do this, with the goal of providing our customers with competitive deals. For example, suppliers have access to our pricing portal which allows them to view an anonymised table of prices, so they can compare the competitiveness of their existing prices and reconsider their price point. There is competitive appetite out there amongst the suppliers in today's market, as we regularly see them releasing new competitive prices to obtain new customers and secure renewals.

**Q4. Do you have evidence to support the allegation that suppliers have been inflating prices in response to the introduction of the Energy Bill Relief Scheme? If so, please provide us with details.**



We have not encountered evidence of price inflation of this nature; however, we have seen an inconsistent interpretation by suppliers of when a fixed contract is deemed as 'signed on'. This has had repercussions on the reference wholesale price and corresponding EBRs discount. Some suppliers have interpreted 'signed on' as the date the customer accepted the contract, whereas some have deemed this as the date the supplier accepted their contract (which can be circa 5 working days after the customer accepted the contract). This varying approach has resulted in customers who have agreed fixed contracts on the same date with different suppliers receiving different discounts, causing some customers not being treated fairly based on their chosen supplier.

#### **Q5. What issues are you aware of businesses having in relation to deemed contracts?**

The Standard Licence Conditions provides generic proportionality controls around the profit earned on deemed contracts in comparison to the cost to supply. However, energy for deemed contract customers is hedged differently to those for fixed contracts. On this basis, we would recommend Ofgem consider implementing controls/requirements regarding how suppliers hedge/purchase for deemed contracts. A potentially suitable mechanism might mirror the domestic price cap, by assessing an average of prices three months in advance and forecasting the upcoming three months, with an additional capped percentage to account for risk of unexpected market volatility.

If deemed rates were charged in a proportionate way this would enable sufficient risk coverage and a reasonable profit level in-keeping with fixed contract profits, all whilst ensuring customers are not at a disproportionate and unreasonable financial disadvantage. Improved controls around deemed rates will improve customer outcomes and protect the switching market, as customers are less likely to accrue unmanageable debt which prevents them from switching.

#### **Q6. Are there any other matters not discussed above related to pricing and contractual behaviour that you would like us to explore? Please provide details and your reasons.**

There is a differing approach across suppliers regarding their ability to vary the prices on the contract. There are some suppliers, for example, who are very transparent about their non-commodity costs being variable and pass the benefit of price flexibility on to customers. However, there are suppliers who market their product as fixed, but retain the right within their terms and conditions to vary the price of the contract beyond situations that fulfil the requirements of force majeure or reasonableness. Whilst suppliers should have the freedom to determine the terms and conditions of their product, as this promotes choice and competition within the market, an appropriate level of transparency should be in place to allow customers to make informed decision and variations to the terms should be reasonable (with the customer in mind). We would recommend Ofgem review the scenarios in which a supplier can vary the prices or terms of a fixed contract and assess the fairness of these terms if they go beyond the concept of reasonableness.



**Q7. Do you believe there has been an increase in offers to contract in the past year as wholesale market conditions improved, or are there segments of the market that are still struggling to secure contracts?**

Since the COVID-19 pandemic, the hospitality sector has seen a reduction of options within the market. As a result, businesses in this sector have struggled to easily secure contracts, sometimes resulting in them not being able to obtain a contract at all. Currently, there is a specific sector in hospitality which most suppliers will not look to offer a fixed term contract to – pubs. Given these businesses were and are already struggling financially, the further impact of costly out of contract rates may likely compound their financial situation. Whilst every supplier should have the ability to determine their commercial strategy and preferred customer base, based on sector and risk, Ofgem may want to consider whether an obligation should be placed on suppliers to mandate every customer should be offered a reasonably priced fixed contract. We understand certain customers can come with added risk, based on sector, length of trading, credit rating and existing debt balance; however, including a reasonable and proportionate risk premium into the rates should help protect suppliers from those risks. As a minimum, it is realistic to expect suppliers to provide reasonable fixed priced contracts to existing customers. In scenarios where customers are unable to switch due to restrictions other suppliers have in place, customers must have reasonable fixed price options with their current supplier to avoid them being left on costly out of contract rates. The impact of not doing so could further exacerbate what might be a precarious financial situation.

Also, if Ofgem mandate that reasonable and proportionate restrictions are allowed, consideration should be given as to whether those restrictions should be enforced consistently, regardless of how the customer chooses to contract with the supplier – i.e., direct vs via a TPI. It would be unfair to a customer if they were restricted from obtaining a competitive fixed term price due to how they have chosen to engage in the switching market, this may result in increased customer disengagement and reduced competition.

**Q11. Do you think the issues around Change of Tenancy/Occupier are significant? What potential solutions would you suggest to address the perceived shortfalls in the existing Change of Tenancy and Change of Occupancy processes, that do not exacerbate the potential for fraud?**

We have not had any experience of excessive Change of Tenancy processes with any of the suppliers we work with. Given the potential for fraudulent Change of Tenancies, there are processes in place we believe are proportionate. The only element of the process which we would recommend Ofgem investigate further, would be the timescales to action the Change of Tenancy and other similar changes. If there's been a change and a customer has provided all relevant evidence/documentation, the request should be actioned in a reasonable timeframe. Furthermore, the new fixed contract charges should be backdated to the date of the change (where possible, i.e., the customer is staying with the same supplier), but only where the change of tenancy is confirmed as valid.



We would also recommend Ofgem investigate how data can be shared throughout the industry by all market participants to reduce the instances of fraud. This is currently a barrier and can occasionally allow fraud to occur more than once before a trend is highlighted.