Emailed to NonDomesticRetailPolicy@ofgem.gov.uk

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5th September 2023

Dear Ofgem,

We have digested the information and understand why so many areas of the points raised require other input from Government as it falls outside of your current scope.

From the two points we have campaigned for, we were pleased to receive your CEO's written response back to us last month where Jonathan confirmed see that Ofgem has now agreed [REDACTED] bringing TPI fee transparency to all business users by extending out the SLC currently only for the Micro sector.

But on our other campaigned formal point last November (See Guardian coverage here) namely Deemed rates which we felt were easily considered to be Unduly Onerous and so in breach of the SLC obligation then despite prompt feedback from your team; then whilst we agree there is no one size fits all for all suppliers, we sense a struggle to recommend a way forward.

Given as an example from major suppliers with some gas rates still at say 17.5p (July-23) when a contract price is just say 6p shows this still needs urgent intervention, then this practice of supplier profiteering is still happening today, still horrendous and still unaffordable.

Therefore as we were the ones to highlight raise this issue following on from our own deep dive analysis of all suppliers, whilst we feel a duty to offer a solution, it is clear the end solution cannot be where no guidance to suppliers is presented and so no matter what our solution should be presented and then leave the obligation on suppliers to clearly demonstrate why they need to charge anything higher than our formula.

From the supplier's side, they will probably say they don't have the information to determine what is appropriate but their SLC legal obligations states they must and to ensure they are not unduly onerous. Since our deep dive last November, we carried out another review of all supplier's gas and power deemed rates in July and still found circa 50% we considered to still be not just Unduly onerous but grossly so.

Therefore, even if Ofgem isn't easily able to provide a definitive mechanism/calculation/formula at least if it did offer a base line starting point it would give all the suppliers the basis to both be fair in what they offer themselves and comparable to other suppliers.

We therefore propose for consideration our "**Wholesale Price Plus**" mechanism as a suggested option or process.

For simplicity to understand as 80% of our clients are on Flexible wholesale price agreements, the basis of our clients' prices and the deemed rates can be easily referenced. Ultimately of the two core components that comprise the energy bill namely the commodity and the non-Commodity.

The Commodity is what our clients would hedge in advance for each billing month with any unhedged to float on the day ahead spot price.

The Non-Commodity as we all know is comprised of approximately 16 recurring electricity elements including the suppliers cost to Serve and their Risk premiums. Whilst on paper these of course vary by Region and tariff type and supply type, because many of our clients who have such flexible deals don't like the pass through and variable charges, they take the suppliers "built up" option.

So, in real terms we know that up to the invasion the typical wrapped up non-Commodity price was circa 10-12p and if the forward annual wholesale prices were 12p then a contract price was typically 25p.

As seen from our webinars in Aug-22 which included many Government departments attending, we made clear that following the invasion this element is what became detached and the difference then included a risk premium, the 12p typical became more like 25-30p.

Today we are back to it being circa 13p and so if the Wholesale forward annual price is 12p a contract price is again approximately 25p.

A supplier will try to say it cost too much to resell and hedge tiny contract volumes, but that is insulting to those that know our industry like we both know, because in all probability the "volume" of any single contracts are not taken into account just in the same way a trade seller of mortgages doesn't look at single ones, they look at the combined portfolio. Suppliers these days can also use Electralink to see est AQ if they don't already see that themselves.

Our own clients' contracts as an example are actually no different to a supplier's portfolio on deemed rates. In real terms they don't have to forward hedge it and we suspect many use their combined deemed volumes as the natural top of their main hedging to simply float on the day ahead spot price.

Despite the nightly news feeds on the energy crisis last Autumn, the day ahead spot prices for October was very low and gas I recall at just 3p, when 25p rates were being quoted to contract.

So even assuming the supplier doesn't (but probably does) want to float them on historically cheaper spot prices to bring fairness to the end user who is either on deemed rates because they simply ran out of contract or had taken over a business as the new tenant/occupier, then if each supplier was advised to forward hedge (most of) its likely volumes each Quarters by hedging say 14-days before the start of each Quarter, then it can reasonably then determine a fair price to charge for their deemed users.

Our proposed **Wholesale Price Plus** mechanism enables a simple formula that brings fairness to all businesses on such rates, but which still enables the suppliers to be fairly compensated for the burden/inconvenience of suppling such meters.

This would then ensure those caught out by such out of contract/deemed rates whether through business choice or as a new incoming tenant into that business etc are being fairly treated by not paying "unduly onerous" rates.

What is the Box Power **Wholesale Price Plus** solution:-

- All assumed energy is simply secured on a Season Quarter ahead basis.
- For gas a flat UK non-commodity of 1p kwh and a 2p kwh "risk" premium to be added.
- For power a flat UK non-commodity of 12p kwh and a 10p kwh "risk" premium to be added.

*The Standing charge to continue to be meter specific as an additional cost element.

Ultimately, the current process must be fair for all parties and not one-sided, so even though in reality suppliers would likely float or leave such volumes to be managed within their natural floating hedge position that they have to trade, but at least it would be a set price for the end business user and consistency across all suppliers.

About Box Power CIC:
Box Power is a philanthropic not-for-profit energy consultancy and as we donate 100% of our profits to charity we are completely unique in the UK.

From the current awards we are also officially recognised as making the most different in our industry.

- **Telca** "Do the Right Thing" award.

- **Federation Small Business** Community Award.
- Box Power Chief Executive Corin Dalby was named Businessperson of the Year in the 2023 **Manchester Evening News Business Awards**
- We are also a finalist for Octobers the **Energy Awards** for Energy consultancy of the year and Energy Champion

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