



Business Energy Direct
6 Enterprise Court
Farfield Park
Manvers
Rotherham
South Yorkshire
S63 5DB

18th January 2024

Re: Standing Charges – Call for input

Dear Colleagues,

Further to the release of the consultation in November 23, the following is the response from the team at Business Energy Direct.

Business Energy Direct is a serial award-winning energy consultancy and we have been providing support and services to commercial energy users for over two decades. We work with customers across all sectors of industry, and represent many distinct brands and associations, including several NASDAQ listed organisations. We provide our clients with a full cradle (*new connections/utility infrastructure project management*) to grave (*sale of business / site demolition / end of lease*) solution.

The wide variety of organisations that we serve and the broad range of services we provide, results in us touching most parts of the energy industry and this gives Business Energy Direct a unique insight into the energy market across all sectors.

Whilst we welcome Ofgem's Call for Input we are a little disappointed by the tone of parts of the consultation and especially the opening paragraph *"We are inviting stakeholder views on standing charges. We particularly welcome responses from suppliers, consumer groups and charities. We would also welcome responses from other stakeholders and the public."*

We believe Ofgem should have taken a more neutral stance when requesting input, and we highlight in this response that customers have been underrepresented historically. Ofgem would be well advised to ensure that input from other stakeholders and those representing customers is given equal billing, if the intention is to gain truly representative views from parties that may be impacted by future consultations.

Adding further to this it is notable that almost all the consultation focuses on the domestic market, with the non-domestic market appearing to be an afterthought.



Given that we primarily operate in the non-domestic market, we have taken the decision to respond to only Question 14, which relates to the non-domestic retail sector. It can be identified throughout this response, why a complete reform of industry standing charge mechanisms is needed.

Q14: What issues affecting standing charges in the non-domestic retail sector should we consider further?

Business Energy Direct considers this to be a multifaceted problem, with many moving parts and different elements to it, including historical industry changes, along with customer and supplier behaviour throughout Covid and the energy crisis.

Inappropriate policy decisions have resulted in **billions of pounds** of detriment caused to non-domestic customers since 2016, with the failure of the code operator Elexon to ensure that non-domestic suppliers adhere to Balancing and Settlement Code, resulting in hundreds of millions of pounds of additional cost being added to (mostly) small business customers' invoices, prior to 2016.

The Legacy Issue – industry changes

Many problems that we now face across our entire industry are a result of a series of regulatory failures by Ofgem. Most of the policy decisions that are financially detrimental to non-domestic customers have been taken following a failure to receive input from the most important party in the non-domestic sector.

The customer.

Business Energy Direct is presently conducting a review of policy decisions and information relating to the electricity industry change P272, dating back to 2011. P272 was a major change that has affected approximately 200,000 non-domestic customers (mostly small businesses) since 2016. Whilst we have not yet finished our investigations, we have already established that during the 2013 consultation process conducted by OFGEM, only Consumer Focus responded; we cannot find any further contributions from parties on behalf of customers that would be impacted.

By contrast, this consultation may receive the highest number of responses to a consultation ever, because it is one that has been quite well publicised by the media and impacts all energy users with a network connection and a group of other users that may not be directly connected. The 2023 non-domestic market review received similar attention, because of the political pressure on Ofgem to act and protect the interests of non-domestic customers, which was something driven by multiple industry stakeholders, including Business Energy Direct.

Ofgem has not acted because of the need to. Ofgem has been forced to.

Third Party Intermediaries manage procurement and provide services to around 70% of non-domestic energy consumers. It has been a similar proportion for the past 15 years, however Ofgem has repeatedly and



consistently ignored our sector, one that has a better view of how the market is operating, because most established TPIs have relationships with many different energy suppliers. The wealth of knowledge in the TPI space also far exceeds that in the supplier sector.

We believe that our evidence shows that Ofgem's failure to consult with our sector and customer representatives on P272, to seek information from the parties that are the bridge between suppliers and customers, has resulted in financial detriment in the region **of £2.5 billion and £4.5 billion**.

P272 was approved by Ofgem despite the recommendation from the settlement code operator (Elexon) that proposed it, recommending that it be declined, because Ofgem had overstated the benefits. This is further supported by supplier comments (British Gas stating that "*virtually no quantifiable benefits have been put forward*"), with many suppliers also commenting that Ofgem was failing to consider the detriment approval of P272 would cause.

This evidence is in the public domain.

Despite recognition of the hugely significant and unnecessary cost burden P272 has had (and continues to have) on affected customers, on Monday 15th January 2024, Ofgem approved an almost identical change (P432) which impacts in the region 50,000 non-domestic customers.

Our evidence shows that affected customers **will need to pay in the region of £200 - £300 million pounds more** to use the same amount of electricity. We can consider this 'shrinkflation' and it comes at a time when these non-domestic users were likely to benefit from improved market conditions as we hopefully enter a period of less volatility and increased certainty.

Ofgem has pulled the rug from underneath these (relatively) low consuming, low demand, small business owners.

Over the past 15 years, Ofgem's teams have demonstrated a lack of understanding, knowledge, and diligence, and along with apathy, and the resource constraints (confirmed to us directly), it has created a perfect storm for Ofgem to cause more damage to the energy market and British economy, than could ever have been achieved by the energy suppliers or TPIs.

Attempts to protect customers.

Upon becoming aware of P432 being put forward for consultation, we considered it necessary to put forward representation on behalf of the circa 50,000 customers that would be affected. Business Energy Direct was the sole representative for these customers and following a series of cost exercises that were presented to the workgroup by us, all suppliers that were represented, except for the proposer Npower, were sufficiently convinced that it was another unnecessary and costly exercise, all voting against approval of P432.

It should come as no surprise that those with the greatest vested interest (meter operators, DNOs and Elexon



themselves), those that stood to gain most financially, voted to approve it (Elexon's BSC panel making the recommendation for approval to Ofgem). This resulted in half of the group (with voting rights) being in favour of P432, and half being against it.

Elexon misreported the impacts and cost to Ofgem, failing to appropriately recognise the evidence of experienced detriment to more than 1000 sample customers, citing 'broader market issues' as a reason to present the appearance in their assessment report that it was a trivial concern.

<https://www.elexon.co.uk/documents/groups/panel/2022-meetings-panel/327-june/327-04-p432-assessment-report-v1-0-public/>

<https://www.dropbox.com/scl/fi/d8m3apn7849125uzzg1vf/P432-Quoting-exercise-Feb-22.pptx?rlkey=ent6zdib855edsxulsfpnnw5f&dl=0>

Ofgem confirmed to us in a face-to-face meeting on 10th of October 23 that they had delayed the decision on P432, because of cost concerns that Business Energy Direct had raised which were supported by evidence. On the 13th of January 24, with the amended P432 decision date looming and the members of the Ofgem team not responding to our emails on the matter, we sent a further email reminding them of the detriment that an illogical decision would lead to, begging them not to go ahead with it.

Over an 18-month period, Business Energy Direct repeatedly **pleaded** with Ofgem to complete the diligence necessary that would support not only our findings, but findings that could be further ratified by all in the TPI sector, and the suppliers themselves. Ofgem declined multiple offers from Business Energy Direct to support them with obtaining prices from suppliers as part of a 'blind' (so that the suppliers did not know they were involved) exercise.

Elexon's status as a not-for-profit company does not absolve them. They played a major part in P432 being approved, more so than P272 which was more diligently considered. However just as it was with P272, the decision to approve P432 was Ofgem's and Ofgem's alone.

Whilst it is little consolation to affected customers, we are certain that without Business Energy Direct's involvement and fierce opposition to it, P432 would have been approved 12 – 18 months sooner. Upon approval, P432 was originally scheduled to commence October 22, which would have been close to the height of the energy crisis, and it is likely that our actions have saved these customers more than £100m.

Our concerns and those of others have been ignored without explanation, which is not acceptable from a government regulator that is publicly accountable.

The 50,000 customers that will pay more as a result deserve answers. Real answers. Not media spin or replies designed to placate or confuse. Answers that explain why Ofgem refused to learn the lessons from P272, which the entire supply industry shakes their heads at when it is mentioned. Meter operators, data collectors, senior leadership at the DNOs and the management and directors of suppliers have all shared their opinions on it with us.



P272 was a disaster and there was no reason for P432 being to be approved, not when the industry is not ready for Market wide Half Hourly Settlement (MHHS). It is no more ready today than it was when we sent our detailed responses to Ofgem in September 2020.

https://www.ofgem.gov.uk/sites/default/files/docs/2020/12/business_energy_direct_response_-_part_1.pdf

https://www.ofgem.gov.uk/sites/default/files/docs/2020/12/business_energy_direct_response_-_part_2.pdf

However, MHHS is a matter for another day.

We hope that the responses from this consultation receive proper consideration. It affects around three million non-domestic customers and around 28 million domestic customers. It is justified.

Unintended but predictable consequences

Throughout this response we refer to P272, because of known detriment caused, both after P272 obligations were fulfilled by the suppliers, and more recently following the introduction of Targeted Charging Review (TCR), which was not on the radar when P272 was approved in 2014.

Suppliers, DNOs, and TPIs all have visibility of the difference in standing charges being imposed on customers that have electricity supplies settled in the Half Hourly market, rather than the Non-Half-Hourly market. We mention in our introduction that our position in the market and the role we play gives us unique insight. Insight that we believe no other TPI in our sector has.

The shared knowledge that members of the Business Energy Direct team has acquired, because of the cross over between new energy connections activities, (electricity connections more specifically) and management of accounts by our procurement team that work directly with suppliers, now enables us to influence decisions made by commercial property developers, landlord, tenants / leaseholders, and the network connections teams.

These decisions often relate specifically to the required capacity of the electricity connections that have been or need be installed in properties. Depending on the nature of operations at a commercial or non-domestic property, correct capacity requirements can often be established if the party supporting the customer has sufficient experience and knowledge, more so if they have worked on other projects for a similar operator.

Most landlord or property agents do not have access to the experienced connections support, and the network connection companies are generally not diligent enough to ask the right questions to establish what the appropriate requirements of the customer are. The consequences of this can have a monetary impact for the customer from the moment the meter is installed. It does not matter whether you are running a local sports club that has limited facilities and low energy demand, or a High-Street fast-food chain.

A wrong decision at the point of connection application could result in that business paying hundreds of



thousands of pounds extra (Ofgem uses a 20-year modeling period for P272, so we have used the same in this point for consideration). Some of this is explained in our 2020 responses to the MHHS consultation. Having learned the P272 impact, where it is not too late, Business Energy Direct often intervenes partway through connection projects to recommend changes to the capacity or connection type that the network intends to install.

Once we know more about the customer requirements, there are two key considerations when we undergo our review process. The first is, can the connection be Whole Current metered? And the second, if it can't be Whole Current metered (because of expected customer demand or the supply has been installed but is unmetered), can the capacity agreement be put in place for 95KVa or less?

It is probable that members of the Ofgem team reading this will not understand what the intention is or what it achieves. None of the customers we engage with do, and neither do others working in our sector. Suppliers tell us that we are the only party in the industry that carries out the actions that we do, following us forcing an effective reversal of P272 in 2021.

The reason we do it is to remove the customer's exposure to current and future avoidable costs, by retaining a non-half-hourly settlement status at the point of supply registration.

This revolves primarily (but not exclusively) around exposure to supplier standing charges which are much higher for Half Hourly settled customer supplies, than they are non-Half Hourly regardless of the meter type installed. If we arrange for a meter connection as part of the supply contract, the supply will be registered for settlement in the non-Half Hourly market. The only exception to this is where the supply could be mandated to be settled Half Hourly because of predicted demand that could exceed 100KVa.

If we did not do this, and networks or suppliers were left to 'guide' the customers instead, some would be exposed to costs as much as £4000 per year, before they have even turned a light on. This has happened because of P272, although it has been further exasperated by Targeted Charging Review and the increases to DUoS and TNUoS charges to lower demand consumers, at the expense of higher demand consumers that participated in Triad Avoidance.

It is a double whammy for low consuming, low demand customers. Those with CT metered supplies suffering the most financial detriment.

But as reported on in our 2020 response to MHHS, nothing is more puzzling than the hundreds of thousands of instances that exist of two adjacent properties that have identical supplies and meters, being allocated to different measurement and settlement classes, and not because of a decision made by the customers.

They can have the same supplier, use the same amount of electricity, have access to the same capacity, (fuse sizes dictating what the network can deliver) and agree contracts at the same time. All things are equal. Yet in 2024 one of the customers may be paying £3500 in annual standing charges and the other may be paying £200.

Why?



The problem was created in the past, it affected customers in the past, it is still impacting business customers currently and it has not been addressed. It is impossible to explain it logically to any customer because there is not any logic behind it. A supplier that hadn't trained their connections team staff correctly, resulting in a Maximum Demand profile being assigned instead of an O3 profile, shouldn't still be influencing how a customer they no longer supply is charged, more than a decade later.

But this is exactly where we are at present, and it's the reason why Business Energy Direct has been reversing supplies for our customers out of Half Hourly settlement and insisting that they be settled on a non-Half Hourly basis instead.

Change of Measurement Class is a legitimate industry process, even if it was not designed to work in reverse, and our customers have avoided millions of pounds of unnecessary, unexplainable charges because we have and are forcing through these measurement class changes.

Simplifying overcomplication

As of September 23, there are more than 32.2 million metered electricity supplies. 31.3 million are settled in the Non-Half Hourly market and most of these connections will have the same physical characteristics. They will be capable of delivering the same amount of electricity as each other. The same still applies in the Half Hourly market and supply characteristics only become more complicated or 'bespoke' when the connection points need to be capable of supplying significantly more power than the average domestic, or non-domestic customer requires.

Typical users requiring higher capacity would be larger retailers and heavy industrial users. These only account for between 0.5 -1.0 percent of supplies. This Call for Input was published because customers have questioned the standing charges charging methodology and industry cannot logically explain why it has been designed the way it has.

For at least 99% of customer supplies, the answer is to simplify standing charge mechanisms, with geography playing no part at all. The physical characteristics and class of supply should dictate the standing charges that each connected customer must pay.

It probably isn't the answer for all customer supplies, the 1% requiring the most consideration given the nature of how those customers use electricity, but it's clear that the current mechanism does not work, and industry must change this for the benefit of majority, not the minority, which is unfortunately what happened with the Targeted Charging Review.

We believe that for the 99%, standing charges should be static across the supply industry and set according to rating of the service, with a default set at 80amps (where the fuse size is not known) for single and three phase whole current supplies. We expect that More than 99% of domestic and non-domestic customers, have supplies that are fused at 80amps or 100amps.



There are quite insignificant number of single-phase supplies rated at less than 60amps, likewise 2 phase supplies, which occasionally, but very rarely can be found in some locations.

We do not believe that it's appropriate for the supplier to influence standing charge costs (the opportunity to hide margin in this charging element doesn't need to exist), nor as previously mentioned should it matter where in Britain the meter is located, therefore geographical DNO regions are taken out of the equation. Tariff / meter configuration should not make a difference either.

The factors that should influence standing charges are:

- Designation – whether it's registered as a domestic supply or non-domestic supply
- The meter type – whether it's a dumb, AMR or SMETS meter
- The fuse rating of the supply (whole current default to 80 amp unless known)
- The meter configuration – whether it's a Whole Current or CT meter

For whole current metered services, the standing charge could be split into two specific charging elements, one based on the meter type and the other based on fuse rating.

An example of the range of charges that could apply is detailed below, however there are numerous potential variations / combinations because of meter type and fuse sizes, therefore it may be appropriate to further simplify the mechanism, however there are multiple reasons for our reasoning when putting forward this suggestion.

	← Greater cost – Lower cost →			← Lower cost – Greater cost →		
	Dumb meter	AMR Meter	SMETS	60amps	80amps	100amps
Domestic Whole Current	Charge level 1	Charge level 2	Charge level 3	Charge level 3 (fuse)	Charge level 2 (fuse)	Charge level 1 (fuse)
Non Domestic Single Phase whole current	Charge level 1 Non Dom meter	Charge level 2 Non Dom meter	Charge level 3 Non Dom meter	Charge level 3 Non Dom Single Fuse	Charge level 2 Non Dom Single Fuse	Charge level 1 Non Dom Single Fuse
Non Domestic Three Phase whole current	Charge level 1 3 phase Non Dom meter	Charge level 2 3 phase Non Dom meter	Charge level 3 3 phase Non Dom meter	Charge level 3 3 phase Non Dom fuse	Charge level 2 3 phase Non Dom fuse	Charge level 1 3 phase Non Dom fuse
	Dumb meter	AMR Meter	SMETS	125 amps	160amps	200amps
Domestic CT	Charge level 1 Domestic CT meter	Charge level 2 Domestic CT meter	Charge level 3 Domestic CT meter	Charge level 3 (CT fuse)	Charge level 2 (CT Fuse)	Charge level 1 (CT Fuse)
Non Domestic CT	Charge level 1 Non Dom CT meter	Charge level 2 1 Non Dom CT meter	Charge level 3 1 Non Dom CT meter	Charge level 3 Non Dom CT Fuse	Charge level 2 Non Dom CT Fuse	Charge level 1 Non Dom CT Fuse

The higher the fuse rating, the greater the amount of power available to use. The table on the next page details that approximate available power in kVA dependent upon the fuse rating.



Single phase		3 phase		CT	
60 amps	14 kVA	60 amps	41 kVA	125 amps	86 kVA
80 amps	18 kVA	80 amps	55 kVA	160 amps	110 kVA
100 amps	23 kVA	100 amps	69 kVA	200 amps	138 kVA

Reasoning

We speak to the networks often and with the drive towards Net Zero and transition to electric vehicles, available capacity can be a significant problem in certain areas, particularly in the major cities. Whilst more capacity will need to be added to the grid as EV demand grows, part of the problem the networks face is capacity being tied up because of low demand non-domestic customers not having their true demand matched to their agreements with the DNOs.

We often see customers with operational demand of circa 20 kVA, being charged for more than 100 kVA unnecessarily and the DNO is making a provision for it. Capacity is being tied up, it cannot be released to other users in the local area that may require it, or to those that may request a new connection, unless the upgrade of the local network takes place (which even at low level additional demand can result in building a new sub-station).

Capacity agreement reviews

DNOs should be obliged to review all capacity agreements annually.

Non-domestic customers that are both disengaged and disinterested, should not need to understand how the capacity allocated to their supply (which they often didn't agree to themselves – DNOs don't know when COTs taken place so don't issue new capacity agreements unless asked by a customer) impacts the local network, but they should be informed that they will save money if they release capacity that has been identified they don't require (within the previous 12 months). Conversely if their allocated (allocated does not always mean agreed) capacity is exceeded, then excess capacity charges can be avoided with a new amended agreement from the DNO.

Industry must be more proactive in this area in future.

A brief explanation can be offered to the customer and there does not need to be any physical alteration to the supply. Those with CT chambers could have fuses downsized by the DNO, if the DNO wanted to ensure that available power is limited. The DNOs that we have discussed this with as part of our investigations into P272, P432 and MHHS have confirmed that they would deem fuse downgrades as being unnecessary.

However, with a restructure of standing charges to one which is based on the supply capabilities, where customers can see a cost benefit (by moving from a higher charging level to a lower one), they could request that the DNO attend to downgrade fuse size (for a cost-effective fee).



There are some significant benefits for the industry and customers by reevaluating how customers are charged and applying logic to it. Capacity charging reform should have taken place more than a decade ago, this is the opportunity to ensure that it does. The two sets of charges go hand in hand, and it makes sense to align one to the other.

Freeing up capacity from users that are paying for it, but do not require it, enables the local network and grid to operate more efficiently. Aligning supply characteristics (which are already mostly known by suppliers, MOPs and DNOs) to standing charges, results in customers paying a fair and appropriate standing charge for the power being made available to them.

Targeted Charging Review (TCR)

Non-Half Hourly

The end user has no control over charges that have been introduced since Targeted Charging Review became effective. Non-Domestic customers with NHH settled supplies have or had no ability to influence which band that their supply is allocated to. Most non-domestic supplies should be allocated to Band 3 or Band 4 because of the consumption. More than 20 years ago the average 03 profile class supply consumed in excess of 15,000 kWh so the evidence supports it.

Non Half-Hourly customers

Banding for Non Half-Hourly customers will be based on annual consumption as outlined below.

Band	LV no MIC (kWh)	
	Lower	Upper
Band 1	-	<= 3571
Band 2	>3571	<=12553
Band 3	>12553	>=25279
Band 4	>25279	-

An analysis of our own customer bases shows that in the region of 40% – 45% of NHH settled supplies are allocated to Band 3, when they should be in Band 4. This brings into question the mechanism that was used by the DNOs to allocate the bands, because they must not have used consumption-based evidence, it would be impossible to allocate such a high percentage to the incorrect band.

Based on TCR bands, the networks are recovering lower costs than they should be for 40% - 45% of (our) customers. However, neither band of customers drive more network costs than the other. The Targeted Charging Review was significantly flawed and poorly thought out, with the highest consumers in heavy industry benefiting the most financially, at the expense of low consuming (in relative terms) non-domestic customers. It also gave suppliers a further opportunity to confuse customers and hide additional margin in increased standing charges. We continue to see this daily.



Half Hourly

Less than 3% of metered supply points are settled Half Hourly.

The majority of those are domestic supplies, with suppliers electing to settle them Half Hourly without any explanation to customers of the impact of doing this. Both Ofgem and Elexon assumed that settlement status for these customers does not matter, however it does, because like the non-domestic market, most suppliers do not want to offer contracts to low consuming Half Hourly settled customers.

Customers on supply with domestic suppliers that have opted to settle their supply on a half hourly basis, now have significant difficulty transferring to another supplier at the end of a contract, unless the supplier they are looking to transfer to can also settle their supply on a half hourly basis.

The unintended consequences of P272 have been transferred into the domestic market, Ofgem and Elexon inadvertently creating an uncompetitive market, something we can evidence Elexon is aware of, having made the statement ***“low consuming consumers remaining HH-settled are likely to be worse off in comparison (to NHH-settled). This is because higher costs to serve low consuming HH customers and because there’s lack of competition in this part of the supply market.”***

Elexon has made many other comments that inadvertently support what Business Energy Direct has been stating for the past 7 years, although it was never the intention for us to be privy to those ‘behind closed doors’ comments. Ultimately, the industry and supplier market is not ready for Market wide Half Hourly Settlement. All evidence available across the industry confirms this.

Around 290,000 non-domestic supplies are currently settled Half Hourly. Of those, around 150,000 are Whole Current metered supplies which do not have access to more than 69kVa (100amps three phase). Of the remaining circa 140,000 or so CT services, around 50,000 customers have a connection / capacity agreement or operational demand of less than 100kVa.

The traditional mandate for Half Hourly settlement requirements being, one when the average of the three highest annual demand peaks are greater than 100kVa. Only around 90,000 of these supplies can be considered ‘traditional’ Half Hourly, which is less than 0.3% of metered supplies in the industry. Therefore, the simplified standing charging mechanism that we have put forward considers all but 0.3% of supplies.

Both Whole Current and CT metered supplies are captured in Band 1 Half Hourly.

That should not have been the case. The mistakes made by Ofgem when approving P272 (against all recommendations) and Elexon’s failure to oversee performance assurance relating to the profiling of supplies historically, resulted in more than 100,000 supply points being incorrectly profiled as 05-08, at the point P272 came into effect. Hundreds of thousands more are profiled incorrectly because the supplies in question do not have switched load capabilities, so should not be allocated 04 profiles.

All Whole Current metered supplies should be being settled on a Non-Half Hourly basis unless a customer elects to settle Half Hourly. If the intention is to create a fairer standing charge mechanism, then Ofgem should



mandate (unless the customer wants to remain) the change of settlement to NHH for all whole current metered supplies without further delay.

There has been an extremely limited window of opportunity to change band in the Half Hourly market. Industry rules have been designed to inappropriately handcuff customers to excessive charges that for the most part, no one has ever explained to them (low demand customer up to 200amp CT service typically).

The allocation to a band can only be changed: (i) if the site transitions between a Final Demand Site and Non-Final Demand Site as set out in paragraph 5 of DCUSA Schedule 32; or (ii) if exceptional circumstances apply.

It is the reason Business Energy Direct has been arranging for Change of Measurement Class for our customers, with others that we've never engaged with approaching us for support, having seen information that was posted in our response to the Market wide Half Hourly Settlement.

Any customer with a metered or unmetered supply that can evidence they do not (or will not) have demand greater than 100kVa, can choose to have their supply settled on a Non-Half Hourly basis. It just isn't common knowledge, and some industry parties want it to stay that way. Excessive network and distribution costs are the reason for the higher cost. Collectively it is costing customers that remain exposed, **more than half a billion pounds a year** based on January 24 pricing.

Most supplies impacted by HH TCR bands and allocated to the first two LV bands (table below), could not be mandated to be settled Half Hourly because of their demand alone. This can be verified by the DNOs if they cross reference demand data for customers against bands they have been allocated to. This is based on analysis of our customer base and supported by comments from numerous meter operators that have reviewed Maximum Demand data. Any customers that have received advice from their supplier, DNO or a TPI will not have been informed of the possibility of reversing the Measurement Class to NHH, to avoid unnecessary charges.

Half-Hourly customers

For Half-Hourly customers banding will be based on authorised supply capacity. Again, this can be seen below.

Band	LV MIC (KV _a)		HV (KV _a)		EHV (KV _a)	
	Lower	Upper	Lower	Upper	Lower	Upper
Band 1	-	<= 80 KV _a	--	<= 422 KV _a	-	<=5000 KV _a
Band 2	> 80 KV _a	<=150 KV _a	>422 KV _a	<=1000 KV _a	>5000 KV _a	<=12000 KV _a
Band 3	> 150 KV _a	<= 231 KV _a	>1000 KV _a	<= 1800 KV _a	>12000 KV _a	<=21500 KV _a
Band 4	> 231 KV _a	-	> 1800 KV _a	-	> 21500 KV _a	-

Whilst the industry rules failed to make appropriate provisions for banding changes, it (rightly) does not prevent the effective reversal of P272 from taking place. For those customers that haven't taken advantage of it, the only advice they may have received is to change their agreed capacity with the DNO, an action which generates very limited savings.

Conversely, a measurement class change carried out at the request of Business Energy Direct has generated



savings of a significant four figure sums on an individual supply basis.

It shouldn't need to be stated, but if standing charge reform is to take place, then in the non-domestic sector TCR reform is also required. Customers must be given the opportunity to ensure that their supplies are allocated to the most appropriate band for their needs, not just allocated one because the network or supplier has dictated it, without knowledge of the customer.

Change of Tenancy

Suppliers will confirm that changes of tenancy occur at a rate of between 5% and 25% per year. This is supplier dependent, and no doubt driven by the types of customers that they target. If the TCR format was to remain unchanged and as implemented, we would like to see an obligation placed on suppliers to identify and review the demand requirements of customers, with appropriate bands assigned based on actual demand, and not based on 'agreed capacity' or historical capacity agreements. Invoices issued by suppliers should be based on this. Given that these are Half Hourly settled, Maximum Demand data is recorded and available via the suppliers appointed data collector.

If the point of a targeted charging mechanism is to charge based on supplies in specific bands, industry should not be making assumptions of the band a customer's supply should be assigned to, it needs to be accurate. Every change of tenancy resets the clock, operational demand should dictate the band a customer is charged based on, and they should always be given the relevant information that enables a customer to determine whether their operational behaviour could result in a change of band, based on what their demand was during their first invoiced period.

Unnecessary financial exposure is obvious in some instances. It is obvious to the supplier (or should be), but not necessarily to an uneducated customer. A prime example of this would be a notable change of use, as occurred in the example below.

<https://www.chad.co.uk/news/people/mansfields-former-frankie-bennys-to-become-charity-shop-three-years-after-closure-4433232>

A charity shop with single figure kVa Maximum Demand becoming responsible for the charges at a former Frankie and Benny's restaurant, which is CT metered and had demand exceeding 120kVa. Depending on where in the country scenario occurs, the new occupier could be faced with fixed charges more than £4000 before they turn a light on.

Standing charge reform needs to carefully consider how these scenarios can and should be addressed, whether that's attendance from the DNO to change the fuses to limit the available capacity (which can result in a change of band) or change of measurement class and allocation to a NHH TCR band.

Leaving customers with excessive fixed costs because of industry did not use logic to consider how customers should be charged, is not an option.



Landlords / property agents

We regularly engage with landlords and their agents; they are key stakeholders when properties are being developed or redeveloped. We are consulted by brands and customers that we work with as part of the process of ensuring that utility connections meet the requirements of the business that will be operating. Part of our assessment includes identifying whether electricity supplies are settled on a NHH or HH basis and to provide cost projections in advance of a property being acquired.

There are instances where a customer has declined to take over a property because of the inherent cost, which is a consequence of the settlement status of the supply. We are now operating an industry where decisions to acquire a property are at least partly being determined based on an electricity supply status. This should never have happened, but it is more widespread than Ofgem would expect, with the first four LV HH bands being a particular concern for landlords with units that may only be needed as warehousing / storage, which typically has low demand.

The consequence of this is a reduced property and rental values, which has further consequential effects for the economy. Government is trying to boost interest in high streets, towns, and industrial areas. The charging mechanisms we have in the energy sector should have been designed so that supply characteristics are the basis of charges and so that they can be easily amended to limit capacity, instead of charging based on how a supply may have been registered by a supplier several decades ago.

Disconnected and De-energised supplies

These are two distinct types of status. A supply that is disconnected should not have a meter connection, whereas a de-energised supply should only have had the fuses removed. Suppliers often cannot distinguish the difference between them, so will often issue invoices in both instances. The reality is that neither supply is capable of extracting electricity from the grid, with it recorded through a meter.

On that basis, where the customer is one of the 99% previously referred to, no charges should be levied on them.

The 1989 Electricity Act goes some way to supporting this, particularly with regards to Deemed Contracts, because such a contract can only arise if energy is extracted. If the deemed contract has not arisen, a supplier doesn't have a legal basis for charging customers. For the 99% this is not a problem for industry, but the remaining 1% may require capacity arrangements to be maintained, irrespective of whether a premise is occupied or capable of using electricity.

The industry needs to consider how we resolve the problem of the (less than) 1%, although the number of supplies in question would highly likely be in the hundreds or low thousands (those with demand greater than 100 kVa), a small percentage of the 1%.



Summary

Ultimately standing charges should be dictated through supply characteristics in the electricity market. The more power available or required to be available, the higher the standing charge. The greater the burden placed on the supplier when collecting data from a customer's meter, the higher the standing charge should be.

Customers (both domestic and non-domestic) that are aware that they are paying a higher price because they have a 'dumb' meter, are more likely to request a smart meter. This will help drive uptake, the benefit being a lower cost to serve the customers, meter reading data improving billing accuracy and operational efficiency of the suppliers.

DNOs being obliged to review capacity agreements annually will result in the removal of unnecessary costs imposed on customers, because of incorrect calculations or assumptions. Capacity that was held under 'agreements' can be released for the benefit of others in localised areas that may wish to be connected to the grid, possibly without the need for network reinforcement work being needed.

Removing geography from the standing charge mechanism and the supplier's ability to hide margin to manipulate the cost base, will create a more competitive marketplace and enable customers to do like for like comparisons more easily. A logical and well-thought-out process, one that keeps the customers in mind and enables industry costs to be recovered, would have significant benefits. Hopefully Ofgem considers the most appropriate responses to this Call for Input and identifies the best solutions that can be implemented.

Yours faithfully

Simon Askew
Managing Director