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BuyEnergyOnline Response to Non Domestic Review Consultation

BuyEnergyOnline is an energy exchange for buyers of electricity and gas. We use a reverse auction to manage transactions for 700 I&C clients, ranging from £10k/year to £7M/year spend, totalling about £100M/year spend. All energy suppliers participate in our exchange. The value we provide to the transaction process is liquidity (several sellers), transparency and efficiency (in fast moving volatile market).

The issues deserve more analysis and attention than we are able to provide due to our limited resources. However, the following is a summary view based on our experience in the market.

We believe that the following issues need to be addressed to improve competition within the non-domestic market:

Issues and Evidence:

1. Registration is too slow, especially in gas transactions. This creates a switching cost, especially when customers have been provided with late renewal quotes from current supplier.
2. Unreasonably high deemed rates increase switching risks. This increases the incentive to stay with current supplier to avoid a registration process with high risks of registration slippages due to previous suppliers objections or new suppliers inefficient registration processes.
3. Many suppliers' contracts have auto rollover clauses requiring up to three months termination notice. Contracts are often rolled over at increased 'market' prices without notifying or late notification of the customer. Also, contracts don't have t&cs specifying how these rollover prices should be calculated.
4. Unresolved meter and billing issues create a barrier to switching, especially for large multi-site customers. Many of these customers are persevering to resolve issues a few years old, but suppliers cannot finalise because the problems require detailed systems enhancements. Also, it is not in the suppliers interests to fix the problem as they will lose the switching barrier.
5. Suppliers don't provide sufficient resources to meet buyers demand for quotations.
6. Suppliers don't have equal access to energy sources. Independent suppliers face transaction and collateral costs which vertical suppliers don't need to meet. Vertically integrated suppliers often quote below the wholesale market prices to retain business.
7. Suppliers prioritise retaining customers over winning new business. Suppliers provide less competitive prices for new business compared to competing to retaining business. If all suppliers follow this strategy it may results in a form of implicit collusion. An alternate form of this is that suppliers provide enough resource to meet their existing customers demand for quotations, but less resource to meet other buyers demand for quotations.
8. Lack of transparency in prices: distribution, transmission, transport costs and usage data should be available to customers and their representatives. These are currently available, but from a range of disparate sources and in a format which is very difficult to use.

Rather than proposing solutions, we recommend the following information would be useful and simple as a next step.

Proposed Transparency Information:

1. Indicators could be identified and defined to measure and resolve all these issues
2. Tables could be published to provide more transparency around these issues, especially 2 and 3.
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3. Margins could be reverse engineered from prices if more transparency (in 7 above) was available.

Regards
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