

ENERGY PRICE OUTLOOK

Wholesale gas prices in August ended at about the same level they started, roughly one-eighth of the peak prices seen during the energy crisis of August 2022. However, volatility persists, with significant daily price fluctuations. The current agreement allowing Russian gas to transit through Ukraine is set to expire on December 31, 2024. An incursion by Ukrainian forces into Russia in August triggered a price spike, sending gas prices to their highest levels of the year. In contrast, an erroneous report suggesting Ukraine had signed a deal to allow gas flows from Azerbaijan caused prices to drop by 10% in just 15 minutes on the 19th of September 2024, leading to substantial losses for many speculators. Meanwhile, Egypt announced plans to import liquefied natural gas (LNG) for the first time this autumn and winter. The situations in the Middle East and Ukraine continue to make the energy markets nervous.



Europe is entering its third consecutive winter with underground gas storage levels high, while global LNG production capacity continues to rise. Similar to last winter, a sluggish economy may keep demand subdued across Europe and Asia. However, global gas and LNG prices are currently higher than a year ago, with LNG once again more expensive than oil in Asia. As Russian gas transit through Ukraine is expected to halt at the end of this year, both Europe and the global LNG market could face significant challenges in winter 2024-25. Cold, still weather combined with unexpected supply outages could easily disrupt the balance, necessitating a substantial withdrawal from underground storage. This could see a difficult period in the summer of 2025., with pressure on prices.

A cold, low wind Winter could see severe pressure on energy supplies and prices. Higher demand and/or low wind will see the need for LNG increase, with the potential of a large rise in gas prices.

Any providers with contract ending before June 2025 are encouraged to look at locking in supplies without delay.

NEW RULES FOR ENERGY BROKERS/CONSULTANTS

From October 1, 2024, Energy Brokers and Consultants, also known as Third Party Intermediaries (TPIs), will finally be subject to new regulations. Business energy suppliers will now be required to disclose commission fees in all quotes. It raises the question—why have some suppliers withheld this information until now, needing regulation to enforce transparency?



Together with Care England, we have campaigned for years for greater transparency in the sector. While mandating TPI commission disclosure is a positive first step, we strongly urge OFGEM to

Energy bills that apply out-of-contract rates should clearly highlight this—ideally in bold, red text and a large typeface to ensure visibility.

Additionally, all energy bills must clearly display the contract end date and specify the exact number of kWh being charged.

DIFFICULT FOR PROVIDERS TO MAKE COMPLAINTS

The Energy Ombudsman will only consider complaints from businesses with fewer than 10 employees and a turnover below €2 million. This limitation renders the service largely ineffective for the care sector, where most have more than 9 staff.

An example highlighting this issue:

A care provider was misled by a broker and subsequently charged around £18,000 for a single gas supply contract. The small broker, acted through a third party, who admitted that the contract had been mis-sold. However, despite this, British Gas—the energy provider—refused to cancel the contract. The care provider couldn't seek help from the Energy Ombudsman as the care provider had more than 9 employees.

Many businesses with fewer than 10 employees have turnovers approaching €2 million. However, in the care sector, the staff size typically exceeds this limit, making the Energy Ombudsman's service unsuitable. (Also, why use the Euro as a benchmark in this context?)

ENERGY AUDITS

The latest completed energy audit for a provider (free to ICG members), resulted in a refund claim of over £300,000. Whilst it was a provider with numerous sites, it shows that all providers have potentially overpaid.

How many other care providers have been overcharged and due a refund?



COMPARING ENERGY QUOTES-WHAT TO LOOK OUT FOR

Starting October 1, 2024, all energy quotes will be required to disclose the broker's markup on the kWh rate. This transparency will allow providers to evaluate the value that brokers or advisors bring for their fees.

With access to all energy suppliers and our competitive fees, we believe our quotes are unmatched. Upon reviewing alternative quotes, we've noticed an increase in instances where they either use lower-than-official consumption rates or incorrectly assess day/night usage. For example, inflating night usage can artificially lower annual costs, while actual bills will reflect true consumption.

Additionally, some energy suppliers provide only a single rate for half-hourly meters, which may still be lower than a comparable supply with a day/night rate.

Tolerance limits should always be clearly stated in quotes, as some suppliers impose penalties if consumption falls below 90% or exceeds 110% of the contracted amount. This can be particularly common in care environments, especially during cold winters.

Brokers and consultants who actively monitor your energy usage, rather than only engaging at renewal time, can help mitigate these penalties—provided a sensible contract is in place.



If you're being advised to enter a long-term contract (2.5 years or longer) or to commit well in advance of your current contract's expiration (a year or more), have you been informed about the pros and cons of such a decision?



VAT AT 20%

We frequently hear from providers regarding their energy supplies, many of whom have been paying VAT at 20% instead of the reduced rate of 5%.

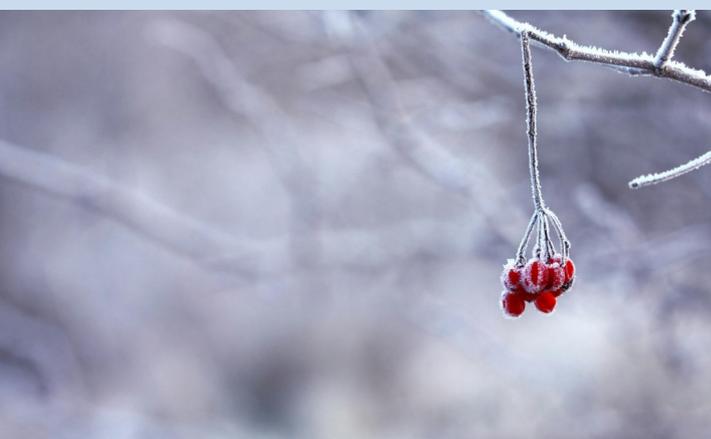
We can assist you in recovering the overpaid VAT for the past six years (five years in Scotland). It's definitely worth reviewing your old bills to see if you've paid VAT at four times the correct rate. Additionally, you can recover the Climate Change Levy as well.

QUESTIONS FROM PROVIDERS

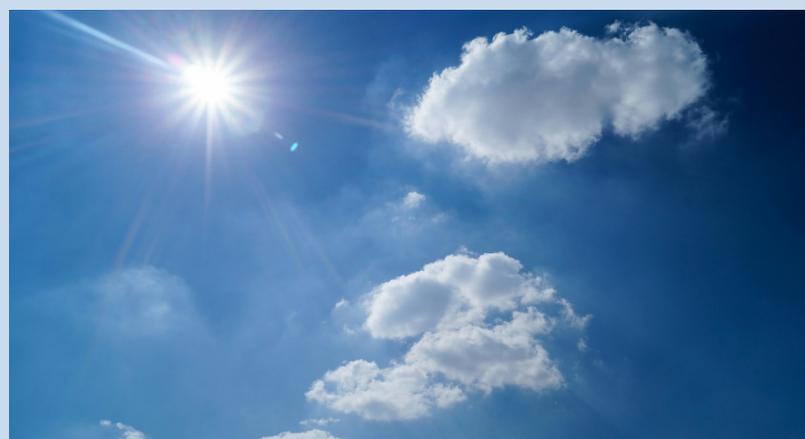
From PR London-You have provided a renewal quote for 1st October and also suggested a contract ending in the summer rather than 30th September. Could you clarify the reasoning behind this?

Historically, many energy contracts end on 30th September, as the energy market typically considers 1st October the start of the winter season. This period often leads to a surge in renewal requests, which can overwhelm energy suppliers, many of whom already face customer service challenges. The increased demand at this time tends to drive up prices and reduce competitiveness.

In contrast, summer months generally experience lower volatility in energy prices, making it a more opportune time to renew contracts when market conditions are typically more stable and prices are often lower. In our view, it makes sense to avoid the rush and renew during a period when pricing is more favourable.



OR



From MS Birmingham We have a care home that is currently unoccupied and is likely to remain so for around six months. We have received energy renewal quotes from our broker based on last year's usage, and your broker has indicated that he must quote based on official consumption figures.

While it's true that a reputable broker quotes using historical consumption data, in situations like yours, they should be able to discuss your unique circumstances with energy suppliers. Given that the property will be vacant for an extended period, they should aim to secure a quote based on the significantly lower expected usage.

Additionally, as the property will be unoccupied for about six months, it may be wise to consider a short-term contract, allowing you to revisit the supply arrangement once you have more clarity on the future of the care home.

If you have a question please send it to info@focusenergyservices.co.uk

Your questions are often the same as other providers, so asking and getting a response can answer many providers.

Our website www.focusenergyservices.co.uk has regular updates and testimonials.