

# energysuppliersforum

***Who we are and what we do***



**January 2012**

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“Ultimately, the objectives of energy policy are not achieved by government, but by the investors, innovators and entrepreneurs that have always driven technological progress. Government policy must therefore strive to tear down barriers to market entry – whether within the regulatory framework, incentive structures, access to physical infrastructure or our trading relationships with the rest of the world.”

**David Cameron, Prime Minister, May 2010**

## 1. What we do

The Energy Suppliers Forum at the start of 2012 had fourteen members, all of whom supply electricity or gas to end customers. The companies are dwarfed by the Big Six but they are playing an active and increasingly important role in the energy market place.

The Forum has been meeting since 2003 and is managed and supported by Cornwall Energy, under the chairmanship of Nigel Cornwall. We have met over 100 times. Our monthly meetings, held in central London, provide a platform for suppliers outside the Big Six to exchange information and views, and discuss common interests and concerns emerging out of energy industry policy, regulation and industry governance agendas. The forum does not try to represent the views of its different members or necessarily seek to achieve consensus, but we do occasionally submit opinion pieces or consultation responses on important issues where members agree it is beneficial.

“Reducing red tape for smaller suppliers will help them grow and encourage new players into the market. Increased competition can help bring down prices and encourage innovation, benefitting energy consumers.”<sup>1</sup>

**Charles Hendry, Minister for Energy, June 2012**

Our members have diverse company backgrounds, objectives and customer profiles. There is no such thing as a typical small supplier, and the monthly meetings attempt to address the needs and concerns of each member. The independent supplier community has very limited resource to get to grips with external policy, and by sharing information and views they help each other prioritise and target their efforts.

A typical meeting includes prepared presentations on topical issues, to stimulate understanding and debate, and a review of our supplier policy issues register. We also try to capture the most relevant developments arising over the course of a month that participants should be aware of and communicate to their colleagues. It is an indication of how complex the industry is that our standing issues list contains in excess of 100 topics. Often the meeting will welcome representatives from key stakeholders such as the regulator or government officials responsible for policy development to debate current issues and their impacts.

## 2. Advantages of small suppliers

There is real value from an independent supply community actively engaged in competitive energy markets. Besides the obvious benefits in terms of increasing competition and choice, small players in the GB energy sector have a proven record of innovation and thought leadership. A healthy market should allow for vigorous and well-run businesses to be able to operate and grow irrespective of their size and whether they generate. Their progress can provide a clear signal to other new parties trying to emulate and improve on them—increasing diversity of participant and investment within the sector.

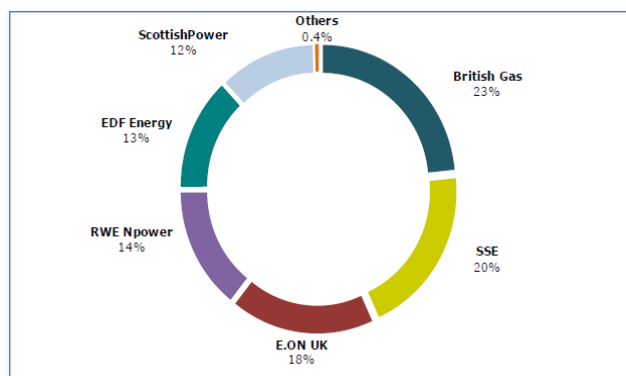
Some of the main benefits arising from the competitive fringe are summarised in Box 1 over the page.

## 3. Current market dynamics

The domestic market for gas and electricity in Britain is almost exclusively supplied by large vertically integrated suppliers, usually termed the Big Six. In December 2009 the Big Six suppliers accounted for over 99% of the household market.<sup>1</sup> Independent suppliers cumulatively make up the remainder.

The picture is healthier in the business market, although suppliers outside of the Big Six still only account for around 6% of the electricity market and 28% of the gas market (by meter numbers). But the overall picture is one of highly concentrated markets monopolised by a few like-

**GB household electricity market shares**



Source: Ofgem 2010 report to European Commission

<sup>1</sup> Ofgem’s 2010 annual [report](#) to the European Commission

minded players. It has traditionally been hard for new entrants to break into the supply markets, and there have been some notable failures of independent suppliers in recent years usually at times of high international commodity prices.

### Box I—Benefits of smaller suppliers to the sector

- **competition now**—the combined electricity and gas market share currently held by independent suppliers—less than 1% in the household market and 12% in the business sector—is small but they have a real impact in a number of segmented and niche markets that keep larger players on their toes, stimulate innovation and choice, and generally enhance the health of the market;
- **competition in the future**—newer entrants are invariably smaller participants and they enable issues about market entry to be kept under closer focus by policy makers and regulators and help barriers to entry going forwards to be better understood and where necessary tackled;
- **security of supply**—independent players bring diversity, broadening sources of funding, including facilitating the participation of venture capital providers. On both the generation and supply sides they have introduced a number of innovative financing techniques, some of which would not be undertaken by incumbents and which consequently broadens the range of developments brought to market;
- **diversity**—a further and very important factor with regard to security of supply is that the commodity-based energy market models that have been introduced into Great Britain depend on diversity and a multiplicity of parties. They presume liquid trading occurs across a variety of time-scales to enable representative prices to be discovered that support investment decisions in new capacity. Independent (that is, not vertically integrated) and smaller players enable more diverse participation in these markets, thus increasing liquidity. If this design objective is undermined, it restricts the potential for significant new investment to the large incumbents because they have strong balance sheets. And without the threat of new entry, consumer prices will inevitably over time be higher;
- **environment**—smaller players have been market leaders in introducing energy services. These companies actively pursue low carbon programmes and bespoke customer offerings in both mainstream energy and new green markets. A number of important advanced metering developments have been stimulated by smaller supplier activity; and
- **fuel poverty**—small suppliers introduce a wider diversity of commercial offerings across all types of customers, and they are a major source of innovation of whom the larger players often take note. Solutions incorporating smart metering and targeted customer usage advice have been offered to domestic consumers by several smaller suppliers for a number of years—well in advance of any mandated programme.

The market landscape is undergoing unprecedented change as the energy economy, in response to government policy, becomes decarbonised. This driver has already led to numerous market reviews and policy initiatives. But this level of activity also opens up opportunities for the smaller suppliers to get across to stakeholders the wide-ranging benefits they bring and some different perspectives on the challenges.

As the market continues to evolve apace, we believe the forum is already playing an invaluable role in disseminating information, opening up communication channels to regulatory agencies and government departments and helping members crystallise their views and set their priorities. Increasingly officials and regulators are proactively seeking our members' views and come to our meetings. These activities are set to grow.

## 4. Barriers to effective competition

There are important issues arising from the present operation of wholesale and retail energy markets that overhang and distort their efficient and effective operation to the detriment of smaller suppliers and new entrants. This interpretation has been acknowledged in recent government policy statements, including the July 2011 White Paper, with the government saying it is committed to opening up energy markets and tackling barriers.

### GB business electricity retail market shares

	Sites		
	HH (100 KW - 1 MW, Nov 2009)	Non HH (sub 100 KW, Nov 2009)	Small business customers (2008)
British Energy	4%		
Centrica	8%	26%	26%
E.ON Energy	12%	17%	21%
EDF Energy	22%	18%	13%
GDF Suez	3%		
Opus Energy		2%	
RWE npower	22%	12%	14%
ScottishPower	6%	10%	11%
SSE	19%	14%	11%
Total Gas and Power	1%		
Others	2%	0%	6%

Source: Ofgem 2010 report to European Commission

There is a distinction between high prices triggered in response to supply and demand conditions and the legitimate operation of the market (which all well-managed participants should be able to manage the risk of) on the one hand and turbulent prices that are aggravated by structural distortions and one-sided rules on the other. There are also issues that arise from the dominance of incumbent players, who because they are vertically integrated are able to bypass the wholesale market for large volumes of the power they produce. This situation means that parties who cannot trade because of market illiquidity cannot obtain contracts or shaped products, and they are systematically exposed to “imbalance trading” at potentially penal prices that cannot be anticipated. This in turn further disadvantages the smaller players relative to their larger, integrated competitors.

Particular issues across most of the members are summarised at Box 2.

## 5. Focused events

Periodically we organise events to demonstrate the current position and concerns of forum members and to raise awareness of smaller supplier perspectives.

*Breaking the Oligopoly*

“I want to put small companies on an equal footing with the bigger players in the energy sector. The Coalition Government is bringing about greater openness in energy markets and will strengthen competition—that’s good news for both business and consumers.”

**Chris Huhne, Secretary of State for Energy, 15 September 2011**

The most recent event was held on 12 October 2011 to illustrate some of the current barriers to competition and to growth from a smaller supplier perspective. Independent players set out a range of views, and potential solutions, on a number of topical issues. These included issues such as electricity wholesale liquidity and trading, the impact of supplier obligations in the market such as the Carbon Emissions Reduction Target and Warm Homes Discount (and the soon to appear Energy Company Obligation) on competition, how the government’s proposals for electricity market reform may affect retail competition, and the smart meter roll-out programme and how this is impacting first movers.

*Meet the independent suppliers—Setting the Scene*

A similar seminar was held in the summer of 2008. Members of the forum spoke on a number of topics

including credit and collateral constraints, the emergence of advance metering, predatory pricing by the Big Six, problems arising from excessive vertical integration and tackling “green wash” in the market.

*Getting to grips with ...*

Through Cornwall Energy, there is a programme of workshops being organised with our members that focus on the implementation of complex government policies and how they will impact on supplier obligations and incentives. The first on the Green Deal took place in August 2011, and a further workshop on feed-in tariffs and reallocation of costs is currently being taken round some of our members.

Other workshops are in the pipeline on Electricity Market Reform and smart metering.

### Box 2—Some market failings impacting adversely on smaller suppliers

- wholesale electricity markets are illiquid, undermining the basic design objectives of the central market or “Neta” design. Although regulatory proposals to tackle this were first published in March 2009, solutions may not be in place until 2013, and we do not know as yet what the necessary remedies will look like;
- incentives arising from the central trading arrangements do not allocate energy imbalance costs correctly and discriminate against small and one-sided players;
- the current market design creates strong incentives for participants to integrate their operations, further undermining wholesale market liquidity;
- at the same time there is no transparency of integrated players and the terms at which they sell to their affiliated operators—despite the efforts of Ofgem to improve transfer price reporting and model hedging strategies;
- credit arrangements for centralised trading and use of networks are excessive and often overlap;
- there is excessive market complexity, which has many manifestations, increasing barriers to entry and the cost of doing business in the sector; and
- the energy sector is rife with persistent change in market rules (for instance, to network charge methodologies) and regulatory policy (for instance, carbon reduction policies), driven often by concerns about market efficiency but which tend to disregard the competitive side-effects.

## 6. When we meet

The forum meets at the National Liberal Club in Westminster London usually on the second Wednesday of each month. A list of future dates can be found on the forum's website: [www.es-net.org.uk](http://www.es-net.org.uk). That site also contains further information on our members and also summaries of key points from our meetings.

## 7. How to join

The forum is open to all suppliers outside of the Big Six, and we welcome potential members and new entrants along for free so they can get a feel for how we conduct the forum's business and how our activities might benefit them.

Members receive electronic copies of an issues register and "hot topic" presentations in advance of the meeting. Relevant printed material is also provided on the day, which includes hard copies of the issues registers, the consultations register, electricity market data focussing on the trading positions of suppliers and other relevant information.

To cover room hire, refreshments and staffing costs we levy an annual membership charge. This varies by size of participant (numbers of meters, volumes).

Please note that in support of the forum Cornwall Energy provides a fully managed service to members on specific issues where responses or inputs are required, plus we provide concise coverage of key industry meetings to ensure members are kept up to date with developments in a "no frills" manner.

## 8. Contact

To find out more about the forum please contact:

Nigel Cornwall, Chair:  
[nigel@cornwallenergy.com](mailto:nigel@cornwallenergy.com)

Ed Reed, Vice-chair:  
[ed@cornwallenergy.com](mailto:ed@cornwallenergy.com)

Caroline O'Leary: [caroline@cornwallenergy.com](mailto:caroline@cornwallenergy.com)

Alternatively call Caroline O'Leary on  
01692 407887.

More information is available on the forum at:  
[www.es-net.org.uk/](http://www.es-net.org.uk/).

### Box 3—Benefits of Energy Supply Forum membership

- Focused, comprehensive briefing across open policy, regulatory and governance issues
- Fully serviced paper circulation and filtering on open issues
- Prompts for responses on key issues impacting across small suppliers
- Agenda is demand-driven by members
- Cost-based membership fee
- Occasional profile raising events
- Organised liaison with officials and regulators
- Access to wider Cornwall Energy intelligence and regulatory services at preferential rates

### Cornwall Energy

Cornwall Energy is not a regional supplier of energy. It is an independent consultant and information provider that provides support for the Energy Suppliers Forum. More information is available on Cornwall Energy at: [www.cornwallenergy.com](http://www.cornwallenergy.com).

## Appendix—Directory of our members

Any supplier outside of the Big Six can join the forum. The current membership represents wide and varied approaches to the GB energy supply markets—indeed the only common characteristic shared by all is that they are small, relative to the incumbents.

Some members sell gas as well electricity; others are single fuel providers. A number operate in the business market only, and within this segment some compete for large industrial and commercial customers and others small and medium enterprises. Some operate in both business markets and the household sector.

Some household-only suppliers have carved themselves a niche offering “smart” based solutions and others by providing green energy services.

As with any commercial entity all seek a fair and open market within which they can grow, compete and offer customers innovative new products and services.

The rest of this section sets out details on our members alphabetically.



Operating out of Fleetwood in the north west of England BES Commercial Electricity and BES Commercial Gas entered the market in 2009 and supplies businesses with gas and electricity. Customers have the opportunity to have advanced meters reading (AMR) equipment installed to enable timely and accurate monthly billing.

Registered Address: Parkside Strand, Fleetwood Town Football Club, Park Avenue, Fleetwood, FY7 6TX

Telephone number: 0844 5678 427

Managing director: Andy Pilley

[www.beselectricity.co.uk](http://www.beselectricity.co.uk)

[www.besgas.co.uk/](http://www.besgas.co.uk/)

## The **co-operative** energy

Co-operative Energy was formed by the Midcounties Co-operative in 2010 and launched their supply offerings in May 2011. It is a consumer co-operative society entirely owned by its members and the only supplier owned by its customers.

The company offers gas and electricity to household customers and strives to ensure its business is transparent, environmentally friendly and ethical. It has pledged to ensure that by April 2012 the carbon content of its electricity is less than half the national average and has a policy to avoid coal-fired electricity generation and is in support of nuclear power.

At present Co-operative Energy has one tariff with a single unit rate, irrespective of consumption.

Registered Address: Co-operative House, Warwick Technology Park, Gallows Hill, Warwick, CV34 6DA

Telephone number: 0800 954 0693

Managing director: Nigel Mason

[www.cooperativeenergy.coop](http://www.cooperativeenergy.coop)

## **ecotricity**

As one of the original supply companies in the competitive market Ecotricity supplied electricity to its first customers in April 1996. By carefully growing its customer base it has been able to invest in new build renewable generation and as at 2010 had installed 56.9MW new wind capacity and 1MW of solar photovoltaic panels. Their customers are predominantly domestic but also serve small business customers.

Ecotricity is a 'green' energy provider and claims to be the first green electricity company in the world, with a mission to change the way electricity is generated and consumed in Britain. In 2010, Ecotricity launched its Green Gas product that uses gas from organic waste.

Registered Address: Unicorn House, Russell Street, Stroud, Gloucestershire, GL5 3AX

Telephone number: 01453 756 111

Managing director: Dale Vince

[www.ecotricity.co.uk](http://www.ecotricity.co.uk)

## first:utility

The company was launched in September 2008 with the aim to decrease the effect power generation has on the natural world. It operates in both the domestic and non domestic sectors and was the first UK energy company to roll out smart meters to households, offering them free to all its customers.

It describes itself as being an energy company with a difference as it aims to help customers understand and manage their energy consumption, reduce their carbon footprint, and ensure they receive accurate and timely bills.

Registered Address: Athena House, Athena Drive, Tachbrook Park, Warwick, CV34 6RL

Telephone number: 0845 215 5000

Managing director: Mark Daeche

[www.first-utility.com](http://www.first-utility.com)



Specialising in serving business energy needs, particularly large industrial and commercial customers, Gazprom Energy began delivering gas to UK customers in 2006. In May 2009 the company entered the non-domestic electricity market and now accounts for 0.5% of that market.

Registered Address: Bauhaus, 27 Quay Street, Manchester, M3 3GY

Telephone number: 0845 230 2058

Managing director: Jon Feingold

[www.gazprom-energy.com/uk](http://www.gazprom-energy.com/uk)

## GDF SUEZ

GDF SUEZ Energy UK has been operating since 1999. In 2011 GDF SUEZ combined with International Power (an independent power generation company), and continues to supply larger businesses with gas and electricity. The company offers a range of energy supply products including automated meter reading equipment and an online consumption data viewing and analysis tool energyYse.

Registered Address: 1 City Walk, Leeds, LS11 9DX

Telephone number: 0113 306 2000

Managing director: Jean-Claude Perdigues

[www.gdfsuez-energy.co.uk](http://www.gdfsuez-energy.co.uk)



As an electricity only supplier Green Energy UK offers households and small business power from renewable or combined heat and power sources. Customers are also offered the opportunity to become shareholders in the company. The company currently operates through their licence provider Opus Energy and offers customers a low-carbon or 100% renewable tariff.

Registered Address: Black Swan House, 23 Baldock Street, Ware, Herts, SG12 9DH

Telephone number: 0800 783 8851

Managing director: Douglas Stewart

[www.greenenergy.uk.com](http://www.greenenergy.uk.com)



Haven Power was launched in 2006 and aims to provide business customers with electricity contracts that are simple, flexible and designed to their specific requirements. In 2009 Haven Power was acquired by Drax Power. With the financial backing of Drax, the company has grown its small business customer base and established a team who specifically serve the larger customer sector.

Customers are offered advanced metering solutions and climate change levy exempt electricity produced from biomass.

Registered Address: The Havens, Ransomes Europark, Ipswich, IP3 9SJ

Telephone number: 01473 725 943

Managing director: Peter Bennell

[www.havenpower.com](http://www.havenpower.com)



LoCO2 Energy was founded in 2009 and is a family-run British renewable energy and low-carbon electricity supplier. It operates in both the domestic and non-domestic market segments and sources its power mainly from hydropower stations owned and operated by its sister business TLS Hydro.

Registered Address: 1<sup>st</sup> Floor, Batchworth Lock House, 99 Church Street, Richmansworth, Hertfordshire, WD3 1JJ

Telephone number: 0845 074 3601

Managing director: Anthony Robert Middleton

[www.loco2energy.com](http://www.loco2energy.com)



The company is a supplier of gas and electricity to the business sector, currently supplying over 110,000 sites. Opus Energy has a long-term power supply agreement with International Power and procures the remainder of its electricity from renewable and cleaner energy sources. Opus takes a simple approach to renewable energy, endeavouring to secure as much power as possible from cleaner electricity sources – for all customers.

Opus Energy is focused on providing customers with a reliable source of low-cost energy coupled with a high standard of customer care. They also provide outsourced information technology and energy services for Green Energy UK and LoCO2 Energy.

Registered Address: Lambourne House, 311-321 Banbury Road, Oxford, OX2 7JH

Telephone: 0845 330 2655

Managing Director: Charlie Crossley Cooke

<http://www.opusenergy.com/>



Founded in 2001 as an aggregator to provide a route to market for mainly small-scale embedded low-carbon generation the company established a retail business in 2008 offering businesses in the public and private sectors with both renewable and traditional electricity.

SmartestEnergy has 1.7GW of generation under contract from over 600 sites and supplies 2% of the half-hourly metered market.

Registered Address: Dashwood House, 69 Old Broad Street, London, EC2M 1QS

Telephone number: 020 7448 0900

Managing director: Robert Groves

[www.smartestenergy.com](http://www.smartestenergy.com)



Statkraft UK Ltd is a subsidiary of Statkraft AS and established its British presence in 2003 as a developer of wind generation. The company gained a supply licence in 2010 and currently supplies its own corporate needs.

Registered Address: 41 Moorgate, London, EC2R 6PP

Telephone number: 020 7448 8200

Managing director: Bjørn Drangsholt

[www.statkraft.com](http://www.statkraft.com)



Originally formed in 2003 with the aim of encouraging household customers to use less energy. In April 2007, in conjunction with its partner Secure Meters (UK), it shifted its focus to address fuel poverty by offering smart prepayment solutions to its customers. By April 2009 the company had installed over 15,000 smart meters, increasing to 25,000 smart meters in 2010. The company also provides gas and electricity to business customers.

Registered Address: Secure House, Moorside Road, Winchester, Hampshire, SO23 7RX

Telephone number: 0845 450 4357

Managing director: Bill Bullen

[www.utilita.co.uk/](http://www.utilita.co.uk/)