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**PRESS RELEASE:**

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## **Ofgem urged to act on out-of-contract rates as consultation into broker fees closes**

Energy regulator Ofgem has been urged to act on out of contract 'deemed rates' by [Box Power CIC](#), the same social enterprise who helped finally force a consultation on hidden broker fees.

As the consultation on transparency for energy broker fees has now ended, the CEO of Box Power CIC Corin Dalby, says the regulator must go further on another issue – 'unduly onerous' deemed rates – otherwise known as out of contract rates, to make them fairer.

These rates often apply to businesses, charities or organisations who have moved premises and do not have a fixed rate, or simply, they don't have a contract yet. They may also be at the end of their fixed rate contract.

The problem is the cost is often higher than what a fixed rate contract would be, leaving already struggling businesses and charities out of pocket as the cost-of-living crisis continues. 'Deemed' rates are rates which should be sold to the business at cost price; the seller shouldn't be making a profit.

Currently, most suppliers are only legally bound to ensure their contracts for microbusinesses are not 'unduly onerous', something which, Box Power CIC believes, should extend to all businesses.

Box Power CIC first raised the issue 10 months ago but has found that exploitation is still happening. It has found gas pricing at 17.5p when it should be closer to 6p.

An investigation by Box Power CIC in July found 50% of suppliers' deemed rates were not just 'unduly onerous' but grossly so.

It wants to level the playing field, so all businesses do not face hiked charges from deemed rates.

In a letter to the Chancellor, Jeremy Hunt, earlier this year, Ofgem says it will be 'addressing' why deemed rates have been higher than can be explained by market conditions.

It writes: "We have clear rules around rate setting for these types of contracts and will be addressing this with companies where this is found not to be the case."



But Box Power CIC wants Ofgem to introduce its game-changing idea called a Wholesale Price Plus mechanism to truly tackle the problem. This is how it works: the energy bill is made up of two parts: the commodity and non-commodity.

The commodity is what businesses would pay in advance for each billing month. The non-commodity comprises 16 other elements including their cost to serve and any risk premiums.

The Wholesale Price Plus idea would assume all energy is secured on a seasonal quarterly basis in advance. For gas, a flat UK non-commodity charge of 1p Kwh and a 2p Kwh “risk” premium is added. For power, a flat UK non-commodity charge of 12p Kwh and a 10p Kwh “risk” premium is added.

Corin says: “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 supplying 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.”

Box Power CIC’s most recent campaign saw the energy regulator, Ofgem, move on transparency for energy broker fees.

Box Power CIC wrote a letter, backed by a coalition representing more than 1 million businesses, where it urged the regulator to force brokers to detail all their charges, including any commission or fees, when negotiating contracts for businesses and charities.

Previously this requirement was only for microbusinesses, but Box Power CIC has asked Ofgem to make it a requirement for all firms. A consultation was launched and it’s currently under review.

On their website, Ofgem says: “A deemed contract normally applies if you move into new business premises and don’t agree a contract.

“You could also be on a deemed or out-of-contract contract if your current contract ends but the supplier continues supplying energy that you use.

“This might happen if the original contract does not state what will happen at the end of a contract or does not have renewal provisions.

“Deemed and out-of-contact contracts are usually among a supplier’s most expensive. It’s best to shop around and agree on a contract as soon as you take on premises or near an end-date to avoid paying more.”



As the UK's only philanthropic energy consultancy, Box Power CIC puts all its profits into charities. It has since donated more than £800,000 to good causes across the North West.

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**About Box Power CIC:**

Box Power CIC is a business energy consultancy like no other. Founded in 2014, Box Power is the UK's first not-for-profit energy consultants for business. Box Power CIC uses its expertise and buying power to broker great prices, with profits going back into communities and supporting good causes. In 2021, it announced it had £800K to donate to good causes.

Earlier this year, Box Power CIC campaigned to make the energy regulator force brokers to be transparent in their fees. It wrote a letter, backed by a coalition representing more than 1 million businesses, which was reported widely in the media. A consultation was subsequently opened by Ofgem, and we are awaiting its results.

Box Power CIC has also been recognised for making the most difference with a slate of nominations in prestigious awards. It has been shortlisted in the 2023 Energy Awards, the 2023 Bolton News Business Awards and won awards at the 2023 Manchester Evening News Business Awards and 2023 Federation of Small Businesses Awards.