

# Buying Power

## Background

The Electricity Supply Industry was privatised to create competition in the sale of electricity to consumers, to reduce prices and improve customer services. An open market now exists in which consumers can buy electricity and other utility services such as gas, water or telecommunications from the company of their choice. Larger consumers, typically with demands of 100kW and over can negotiate individual contracts to suit the size and pattern of their consumption. Smaller consumers are charged according to their chosen electricity tariff.



## Electricity Supply Industry

The delivery of electrical power is no longer a single business. The *electricity distributor* is responsible for the construction, maintenance and operation of the lines, cables and transformers that bring power to the farm. The *electricity supplier* is the 'retailer' that sells power to its customers. The *meter operator* deals with the provision and reading of electricity meters

and sends consumption data to the supplier so that bills can be compiled.

Electricity supply companies make bulk purchases of electricity from the generating companies or generate their own, and retail it to consumers via the distribution system. It does not matter where a customer is located, the company supplying the power pays the local electricity distributor for carrying the power on its network.

A nominated meter operator takes the meter readings used to compile the bill. Major electricity consumers can choose their meter operator but most often the local electricity company is chosen.

### *Do I have to change supplier?*

No, you do not have to change. The open market means you can change if you wish.

### *What is the benefit of changing?*

You should end up paying less for your electricity. Consumers negotiating contracts for the first time have made savings of up to 15%. Such savings are likely to be made only once. Thereafter when renewing contracts or changing supplier savings of 1-2% are more likely.

You may also be offered additional products from your electricity supplier, for instance gas, water and telecommunications. In choosing a supplier consider such factors as 'added

value' services, quality of service and the familiarity of the supplier with your business.

#### *Who will read the meter?*

Meter readings will continue to be the responsibility of the local electricity company. After changing supplier your meter and readings will become the responsibility of your chosen power supplier.

#### *How is the bill compiled?*

Your electricity bill comes from the supplier, the company from whom you have agreed to purchase your power. The local electricity distributor will charge the supplier for the use of its distribution network and the meter operator will also charge for his services. Your bill is calculated using the consumption data from the meter reader and your agreed charges.

#### *Can farmers' co-operatives buy electricity?*

Some suppliers are interested in dealing with affinity groups or co-operatives particularly if a saving can be made in administration and billing. Co-operatives should approach suppliers with their proposals. Ask suppliers if they will give an overall discount should the group place all its sites with them. You may be approached to join an affinity group that has already negotiated discounts with a supplier.

#### *Can several supply points be combined together?*

The fewer meter points there are on the farm, the lower the costs of administering your account and so there are savings both for the power supplier and the farmer. The savings will need to be weighed against the costs of altering the electrical system on the farm.

#### *What if something goes wrong?*

The distributor that operates the local distribution network continues to be responsible for the safety of the system and maintaining the supply. You should call him. Your supplier will most likely give you a telephone number that will be routed to the appropriate engineers.

## Consumers with Demands over 100kW

### Criteria

- Electricity demand on site has to exceed 100kW for at least three months a year; these months do not have to be consecutive.
- Farms with more than one meter point can add together the demands to arrive at their maximum electrical load. These have to be within the ring fence of the site with no public road between them.

### Qualifying

- Look at the last year's bills; if you are on a maximum demand tariff then the monthly demand will be shown. If it exceeds 100kW in any three months, you qualify.
- If your metering arrangement records electrical units only, then check the equipment you have on site. If the total demand (assuming that all the equipment is working at the same time under normal working conditions) is more than 100kWs, you may qualify.
- If your annual electricity bill for one meter point is more than £10,000 you may qualify.

Electricity companies and some specialists offer a monitoring service to determine your site demand. The problem with this monitoring is that it is usually for a short period of time, a 'snap-shot' and may not give a true picture of the site demand throughout the year.

### To go on to a contract

Collect information about the site you want an electricity supply contract for:

- Site address and postcode.
- Meter identification numbers (either on the meters, on your bill or otherwise contact your electricity supplier).
- The pattern of electrical load and day/night use. Your last 12 months electricity bills should suffice. Additional information

on your electricity usage (the more information given, the more closely the contract can be tailored to your requirements).

- Site supply capacity (maximum demand tariff sites will show this on previous bills).
- Billing and settlement arrangements - how often you wish to receive bills, direct debit arrangements, etc.

Contact other electricity suppliers to ask for a quotation.

#### *What can be negotiated?*

- The form of the tariff. There are variations in the way the suppliers structure their charges but for farms there are usually three basic elements to the tariffs: day rates, night rates and standing charges.

When arranging a site specific contract all these rates can be negotiated. Sometimes extended night rates or cheap weekend/summer rates can also be agreed.

- Suppliers sometimes offer reductions if you can manage the time of your peak electrical demand.
- Ask suppliers if they will give an overall discount if you place all your sites with them.

The length of contract offered may vary, remember that electricity prices in this free market will fluctuate from time to time.

#### **Signing up a contract**

Once you have decided upon a contract with a new supplier and meter operator you will also have to also sign a connection agreement with the local electricity company. This allows you to maintain your connection to their distribution network.

#### *How long does it take?*

If you decide to change your supplier the local electricity company may require three months notice; in any event 28 days notice to whoever sends you your bill at the moment is mandatory.

## **Consumers with Demands under 100kW**

### *How much cheaper will my electricity be?*

In general, suppliers will reduce their charges by a few percent. The greatest savings come from changing for the first time, thereafter it is not likely that suppliers will be able to offer noticeably different prices for electricity.

### *How do I go about changing?*

Each consumer has been given a coded Supply Number (also known as the MPAN\* number). It is usually shown on the quarterly bill. Make a record of this number and keep it for future reference. The number can be given to a prospective supplier and will enable the prospective supplier to offer an appropriate contract.

*\*MPAN - Metering Point Administration Number will look like this*

### *How many suppliers should be contacted?*

In the first instance it is best to consider the offer made by your existing supplier. You could contact all registered suppliers but it would be sensible to limit the exercise to three or four.

### *Does my tariff stay the same?*

Yes, your tariff will be the same unless you arrange to have it changed. Your tariff details form part of the code of your supply number which you can pass on to a prospective supplier.

### *Who owns and who is responsible for my electricity meter?*

At the moment your meter belongs to your local Public Electricity Supplier (PES). If you should arrange to transfer to a new supplier, the meter will become theirs.

### *Do I need a more complex meter?*

In most cases the existing meter will be perfectly adequate; for a small number there may be benefits in changing. A customer with a power demand of less than 100kW, but with high unit consumption may benefit from going on to a half-hourly meter. This will accurately determine the pattern of energy use and provide the basis of his contract with the supplier. This contract may be

tailored to the business rather than be based on existing tariffs.

#### *How long to sign up for?*

The length of contract offered may vary from the minimum period of 28 days with options to extend the period to three or even five years.

#### *How long does it take?*

There is a national register to streamline the process of smaller customers changing suppliers. The process is likely to take a number of days rather than months.

## Obtaining a Competitive Quotation

All the information required by a prospective supplier to enable them to give you a quotation for electricity supply is contained in your MPAN number.

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In certain circumstances it may be advantageous to provide more information on the electricity used by your business for example:

- Monthly / quarterly / annual consumption and typical bills.
- Supply capacity and maximum demand if recorded.
- Detailed data showing electrical load characteristics and profile of use during off-peak periods, nights and weekends and summer as opposed to winter.

This information will enable prospective suppliers to give a quotation that more closely matches the needs of your business. The next two factors may also help you negotiate your contract.

- Favourable methods of payment such as direct debit or monthly planned payments.
- Willingness to sign longer term contracts.

When quotations have been obtained compare them carefully on a 'like for like' basis. Consider also the whole package being offered rather than choosing on price alone.