

Has Ofgem just created the next energy mis-selling scandal?

Research report

by

TheEnergyShop •COM

Tables and Appendices

February 2015

Table 1 - Test Scenarios

	Test 1	Test 2
Postcode	IP12 1AA	W5 2DZ
Region	Eastern	Southern
Gas usage (annual) (kWh)	19,000	13,500
Electricity usage (annual) (kWh)	4,900	3,200
Current Tariff Details		
Current Supplier	EDF Energy	npower
Current Tariff	Fixed Price 2015	Online Price Fix February 2015
Tariff end date	30 June 2015	28 February 2015
Current payment method	Monthly Direct Debit	Monthly Direct Debit
Current Annual Spend	£1268.12	£1076.01
New tariff details		
New Supplier	extraenergy	extraenergy
New Tariff	Fresh Fixed Price Jan 2016 v10	Fresh Fixed Price Jan 2016 v10
Tariff end date	31 January 2016	31 January 2016
Future payment method	Monthly Direct Debit	Monthly Direct Debit
New Annual Spend	£1222.12	£893.69
"True "Saving	£46.00	£182.32

Table 2 – Comparison websites - results for Test 1

Site	Ofgem Accredited	Current Bill (£)	New Bill (£)	Saving (£)	Methodology
TheEnergyShop.com	Yes	1,268	1222.12	46.00	True
Large Sites					
Confused (a)	No	1,463	1,222.12	240.52	Inflated
Comparethemarket	No	1,465	1222	243	Inflated
Gocompare	No	1,465	1,222	243	Inflated
Moneysavingexpert	No	1,464	1,222	242	Inflated
Moneysupermarket	Yes	1,464	1,222	242	Inflated
Uswitch	Yes	1,464.33	1,222.12	242.21	Inflated
Other sites					
Energyhelpline	Yes	1,465	1,222	243	Inflated
Energylinx (a)	Yes	1,463	1,222.21	240.52	Inflated
Myutilitygenius	Yes	1,583.93	1,222.21	361.81	Inflated
Runpathdigital (b)	Yes				N/A
Simplyswitch (a)	Yes	1,259.83	1225.17	34.66	True
Switchgasandelectric	Yes	1,260	1,222	38.00	True
Ukpower (a)	Yes	1,464	1,222	242	Inflated
Unravelit.com (a)	Yes	1,410	1222.13	187.43	Inflated
Which? (a) (c)	No	1473	1222.21	250.71	Inflated
Average saving (d)					
Mean				217.92	
Median				242.00	
Mode				242.00	

Notes

- (a) Not all sites disclose the current bill calculation. Where this is not listed it is inferred as from the difference sum of the new bill and the saving.
- (b) Runpathdigital did not list EDF Energy Fixed Price 2015 for comparison purposes.
- (c) Which? was reviewed on 6 Feb 2015.
- (d) Excludes TheEnergyShop.com
- (e) Non Ofgem accredited websites are highlighted in grey.

Table 3 - Comparison websites - results for Test 2

Site	Ofgem Accredited	Current Bill (£)	New Bill (£)	Saving (£)	Methodology
TheEnergyShop.com	Yes	1,076	893.69	182.32	True
Large Sites					
Confused (a)	No	1,201	893.69	306.98	Inflated
Comparethemarket	No	1,234	894	340	Inflated
Gocompare	No	1,234	894	340	Inflated
Moneysavingexpert	No	1,208	894	315	Inflated
Moneysupermarket	Yes	1,209	894	315	Inflated
Uswitch	Yes	1,209.18	893.69	315.49	Inflated
Other sites					
Energyhelpline	Yes	1,234	894	340	Inflated
Energylinx (a)	Yes	1,201	893.69	306.98	Inflated
Myutilitygenius	Yes	1,209.15	893.69	315.45	Inflated
Runpathdigital	Yes	1,076	893.69	182.31	True
Simplyswitch (a)	Yes	1,076.03	894.7	181.33	True
Switchgasandelectric	Yes	1,076	894	182	True
Ukpower (a)	Yes	1,209	894	315	Inflated
Unravelit.com (a)	Yes	1,212	893.7	318.41	Inflated
Which? (b)	No	1,174	893.69	280.06	Inflated
Average saving (c)					
Mean				290.27	
Median				315.00	
Mode				315.00	

Notes

- (a) Not all sites disclose the current bill calculation. Where this is not listed it is inferred as from the difference sum of the new bill and the saving.
- (b) Which? was reviewed on 6 Feb 2015.
- (c) Excludes TheEnergyShop.com
- (d) Non Ofgem accredited websites are highlighted in grey.

Table 4 – Energy supplier websites

Supplier	Test	Current Bill (£)	New Bill (£)	Saving (£)	Methodology
Big 6					
British Gas		Not quoted	N/A	Not quoted	N/A
EDF Energy	1	(a)			
	2	1,076	997.42	78.6	True
E.ON		Not quoted	N/A	Not quoted	N/A
npower	1	1,260	1,298.74	-39.02	True
	2	1,076	946.21	129.80	True
ScottishPower		Not quoted	N/A	Not quoted	N/A
SSE		Not quoted	N/A	Not quoted	N/A
Others					
Co-operative energy	1	1,470	1,230	240.00	Inflated
	2	1,233	909	324.00	Inflated
extraenergy	1	1,470	1,222	248.00	Inflated
	2	1,234	894	340	Inflated
first:utility	1	1,469	1,230	239.00	Inflated
	2	1,177 (b)	906	271.00	Inflated
Green Star Energy	1	(c)			
	2	1,234	961.88	271.84	Inflated
isupplyenergy	1	(d)			
	2	480	417.71	61.92	True
OVO energy	1	1,268	1,237	31.00	True
	2	1,076	930	146.00	True
Spark Energy	1	1,268	1,692.62	-424.39	True
	2	1,076.01	1,227.53	-151.52	True

Notes:

- (a) EDF Energy does not offer online quotes for existing customers
- (b) First:utility calculations of current bill are incorrect as they use incorrect price data for npower tariffs
- (c) Green Star Energy would not quote for this postcode
- (d) isupplyenergy would not quote for this postcode

Table 5 – Quantifying the impact

	Basis	Low	Medium	High
Switchers	Per annum	3,000,000	3,000,000	3,000,000
Switches through “inflated” price comparison websites		1,200,000	1,200,000	1,200,000
Switchers affected	%	30	45	60
Switchers affected	Number	360,000	540,000	720,000
Savings inflated by...	£	100	150	200
Overall savings “inflation”	£	£36m	£81m	£144m

Table 6 – Case Study

Case Study - MoneySavingExpert.com Big Winter Switch Event

	Basis		
Switchers			
Single fuel			6,007
Dual fuel			52,123
Total switchers			58,130
Total fuels			110,253
Commission received	£30 per fuel		£3,307,590
First time switchers			43,201
Second time switchers			13,741
		Scenario 1 (80%)	Scenario 2 (90%)
Switchers potentially seeing “inflated” savings		13,741	13,741
Switchers affected	% assumed	80	90
Switchers affected	Assumed	10,993	12,367
Saving inflated by	£ assumed	150	150
Saving inflated by	£ total	1,648,920	1,855,050

APPENDIX A

Table 7 – Current tariff calculations

	units	Test 1	Test 2
Current supplier		EDF Energy	npower
Current Tariff		Fixed Price 2015	Online Price Fix February 2015
Gas Price			
Standing charge (p/day)	p / day	0.00	11.66
Unit price 1	p / kWh	7.301	3.892
Unit 1 threshold (annual)	kWh	2,680	-
Unit price 2		3.187	-
Discount		6%	None
Electricity Price			
Standing charge (p/day)	p / day	0.00	24.94
Unit price 1	p / kWh	17.36	11.43
Unit 1 threshold (annual)	kWh	900	-
Unit price 2		10.32	-
Discount		6%	None
Dual Fuel Discount		None	None
Current Gas bill			
Annual standing charge	£	$(0.00 * 365) / 100$ = £0.00	$(11.66 * 365) / 100$ = £42.56
Annual cost of units used	£	$((7.301 * 2,680) + ((19,000 - 2,680) * 3.187)) / 100$ = £715.79	$(3.892 * 13,500) / 100$ = £525.42
Gas discount		$6% * £715.79$ = £42.95	£0.00
Gas bill (excl VAT)		£0.00 + £715.79 - £42.95 = £672.84	£42.56 + £525.42 - £0.00 = £567.98
Current Electricity bill			
Annual standing charge	£	$(0.00 * 365) / 100$ = £0.00	$(24.94 * 365) / 100$ = £91.03
Annual cost of units used	£	$((17.36 * 900) + ((4,900 - 900) * 10.32)) / 100$ = £569.04	$(11.43 * 3,200) / 100$ = £365.76
Electricity discount		$6% * £569.04$ = £34.14	£0.00
Electricity bill (excl VAT)		£0.00 + £569.04 - £34.14 = £534.90	£91.03 + £365.76 - £0.00 = £456.79
Current Dual Fuel Bill (excl VAT)		£672.84 + £534.90 = £1,207.74	£567.98 + £456.79 = £1,024.77
Dual Fuel discount		£0.00	£0.00
VAT @ 5%		$£1,207.74 * 0.05$ = £60.39	$£1,024.77 * 0.05$ = £51.24
Current Dual Fuel Bill (incl VAT)		£1,207.74 + £60.39 = £1,268.12	£1,024.77 + £51.24 = £1,076.01

Table 8 – New tariff calculations

	units	Test 1	Test 2
New supplier		extraenergy	extraenergy
Current Tariff		Fresh Fixed Price Jan 2016 v10	Fresh Fixed Price Jan 2016 v10
Gas Price			
Standing charge (p/day)	p / day	13.156	13.06
Unit price 1	p / kWh	2.886	2.99
Discount		None	None
Electricity Price			
Standing charge (p/day)	p / day	20.633	20.447
Unit price 1	p / kWh	10.046	10.162
Discount		None	None
Dual Fuel Discount		None	None
New Gas bill			
Annual standing charge	£	$(13.156 * 365) / 100$ = £48.02	$(13.06 * 365) / 100$ = £47.67
Annual cost of units used	£	$(2.886 * 19,000) / 100$ = £548.34	$(2.99 * 13,500) / 100$ = £403.65
Gas discount		£00.00	£0.00
Gas bill (excl VAT)		$£48.02 + £548.34 - £00.00$ = £596.36	$£47.67 + £403.65 - £0.00$ = £451.32
New Electricity bill			
Annual standing charge	£	$(20.633 * 365) / 100$ = £75.31	$(20.447 * 365) / 100$ = £74.63
Annual cost of units used	£	$(10.046 * 4,900) / 100$ = £492.25	$(10.162 * 3,200) / 100$ = £325.18
Electricity discount		£0.00	£0.00
Electricity bill (excl VAT)		$£75.31 + £492.25 - £00.00$ = £567.76	$£74.63 + £325.18 - £0.00$ = £399.82
Current Dual Fuel Bill (excl VAT)		$£596.36 + £567.76$ = £1,163.92	$£451.32 + £399.82$ = £851.13
Dual Fuel discount		£0.00	£0.00
VAT @ 5%		$£1,163.92 * 0.05$ = £58.20	$£851.13 * 0.05$ = £42.56
Current Dual Fuel Bill (incl VAT)		$£1,163.92 + £58.20$ = £1,222.12	$£851.13 + £42.56$ = £893.69

APPENDIX B

Ofgem's definition of Estimated Annual Costs

Estimated Annual Costs means the total amount in pounds sterling (inclusive of value added tax) based on the following calculation (or a mathematical equivalent):

$$\text{Estimated Annual Costs} = \frac{(SC \cdot 365) + (UR.AC) + (B1.AC) - (D1.AC)}{100} + (B2) - (D2)$$

Where:

DSCon means a Domestic Supply Contract or Deemed Contract;

SC means:

- (a) In the case of a DSCon with 365 or more days remaining from the date of calculation, the sum of: each Relevant Standing Charge that applies to the DSCon (SC_i), expressed in pence per day, multiplied by the period of time in days for which it will apply (t_i) during the following 365 days, divided by 365;

$$SC = \sum_i \frac{SC_i \cdot t_i}{365}, \quad \text{with } \sum_i t_i = 365$$

- (b) In the case of a DSCon with fewer than 365 days remaining from the date of calculation, the combined total of (i) and (ii), divided by 365:

- (i) the sum of: each Relevant Standing Charge that applies to the DSCon (SC_i^C), expressed in pence per day, multiplied by the period of time in days for which it will apply during the remaining duration of the contract (t_i^C);
- (ii) the sum of: each Relevant Standing Charge that would apply under the Relevant Cheapest Evergreen Tariff for the Domestic Customer (SC_j^{RCE}), expressed in pence per day, multiplied by the period of time in days for which it will apply during the period between the end of the DSCon and the 365th day from the date of the calculation (t_j^{RCE});

$$SC = \sum_i \frac{SC_i^C \cdot t_i^C}{365} + \sum_j \frac{SC_j^{RCE} \cdot t_j^{RCE}}{365}, \quad \text{with } \sum_i t_i^C + \sum_j t_j^{RCE} = 365$$