

CHECKLIST FOR ENERGY CONTRACT PROCUREMENT

Are you considering using an energy broker or consultant to support you in your energy needs? Here's a guide to commissions, fee and cost structures to assist you in your decision-making.

Brokers and consultants can play a valuable role in assisting you to go to market to review your energy costs and your needs. They can help you to efficiently review several retail energy offers.

This guide has been created by the [National Customer Code for Energy Brokers, Consultants and Retailers](#) to assist you navigate key terms and conditions in your energy procurement contracts to ensure that you are making informed decisions about costs, commissions and fee structures, including any ongoing fees and terms. It also includes practical questions to ask your broker or consultant if you need more information.

FEE-FOR-SERVICE, COMMISSIONS AND OTHER FEES

Brokers and consultants often have different business models. Your preference may depend on your business' needs.

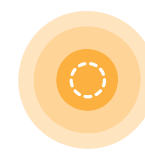
It's important to note that energy retailers do not generally pay brokers or consultants directly for bringing customer opportunities to them, rather the broker or consultant agrees the fee-for-service or commission paid to them with you directly.

Fee-for-service approach

- This means that you will pay the broker or consultant a set fee, or hourly rate, as agreed in advance, to help you manage your energy supply contracting requirements.
- The fee may be paid upfront, or it can be paid through the energy retail bill during the term of the contract.
- The fee may include additional services and support in addition to procurement.
- In some cases, a retailer may pay a broker a set fee upfront on a per site basis. This generally applies to SME sites linked to a large energy contract.
- Your broker or consultant agreement is not connected to your energy contract.

Commission approach

- This means that you will pay the broker or consultant a commission for introducing you to a contracted retailer.
- This is generally what is called a trailing commission structure. This means that you do not pay them up-front for the work that they do. Once the contract with the energy retailer is agreed, the broker or consultant will be paid a commission as a percentage or cents/kWh on your ongoing retail energy charges for the length of the contract.
- This means that over the life of the contract, you will pay the fees for using their procurement services.



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- The amount of commission is generally negotiated between the broker/consultant and you.
- Your chosen retailer is notified of the commission to be applied to the contract offer.
- The commission is added to the peak/shoulder and off-peak rates and is payable for the contract's life.
- The amount of commission is linked to the annual contracted usage.
- Network pass-through costs and market charges usually do not attract any commission.
- The commission that you have agreed to pay is included in the retailer's bill. The commission may appear as a line item on your retail bill or may be built into the usage charges on your bill.
- You might also be charged additional fees for agreed value-added services. These fees typically appear as separately billed line items.

Metering Providers Fees

- These are fees for supplying the meter at the premises.
- Your energy retailer will nominate a Metering Provider for each of your sites unless a Direct Metering Agreement (DMA) through your broker or consultant is in place. A fee or commission for each meter may be payable to the energy retailer as a month-to-month service.
- If you enter a DMA, this is a contract between the Metering Provider and you, with the broker or consultant as a third party. The contract term is usually between 1-5 years. It is separate to your retail energy agreement.
- Under a DMA, in addition to the metering fee charged by the energy retailer, a fee or commission for each meter may be paid to the broker or consultant for introducing your business.
- Metering fees are charged through the retailer's monthly bill.
- Some energy retailers charge a fee such as a supplementary metering charge if you enter into a DMA.

Value-Added Service (VAS) fees

- These fees include added services and support offered in addition to energy procurement.
- The VAS fees are negotiated between the broker or consultant and you for an agreed term that corresponds with the Metering Provider contract.
- The VAS fees are added to the metering contract.
- When you pay the energy retail bill, the retailer then forwards the VAS fees collected to the metering provider, who on-forwards the commission component to the broker or consultant.

SIGNING A LETTER OF AUTHORITY OR A CONSENT FORM

This form may be known by different names, but its purpose is to enable the broker or consultant to receive quotations for your electricity and/or gas supply and perform actions necessary to complete the transfer once you accept an offer. It needs to be provided at the time of the tender and is generally valid for 12 months. A new authority must be completed every time billing or metering data is requested.

By signing such a form, you are authorising the broker or consultant to go to tender/request pricing and agreeing to the broker or consultant accessing relevant information including your:

- Current energy contract end dates
- Current Metering Provider and the contract end date



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- Historical energy consumption, generally for the past 12 months in (5- or 30-minute blocks including kWh, KVA, PF, time/date stamp)
- Gas usage data (including ACQ, MDQ, MHQ)
- Coincident maximum demand (if applicable)
- Current network tariffs
- Metering data in relation to the electricity and gas supply at the delivery points.

WHAT TO ASK YOUR BROKER OR CONSULTANT?

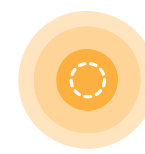
Your contract with your energy broker or consultant should clearly state what costs, commissions and fee structures apply – including the exact percentage or cents/kWh commission fee if applicable. If you are unsure, below are some general questions to ask:

- Are you using my interval meter¹ data from my current energy retailer to get me the most accurate pricing for my site(s)?
- Load fluctuations:
 - What do I need to do if my usage reduces - perhaps due to installation of solar or COVID forced shutdowns?
 - What do I need to do if my usage increases – extended hours or increased productivity?
 - What sort of load flexibility is in my contract – is there a percentage limit to the amount of variation from the contracted load?
- Is there a limit on the number of Roll-In-Roll-Out sites from the contract?
- Novation - what do I need to do if:
 - I am selling or closing my business?
 - The contract signer/responsible person leaves the business?
 - The business entity/name/ABN changes?
- Are there any restrictions or fees for terminating any of the contracts before their end date?
- Is there any brokerage payable on any environmental products that I choose?
- What are the payment terms, how many days after the bill is issued is payment due?
- Do you have a dispute resolution process and if so, can I have a copy?
- Are you a signatory to the National Customer Code for Energy Brokers, Consultants and Retailers?

If you are engaging an **energy consultant**, you could ask:

- What is the total fee that I am paying for your services?
- What are your ongoing fees for value-added services?
- Are there any other costs, commissions, or fees that I am likely to incur by using your services?
- Explain where your fees are clearly disclosed when you go to market on my behalf

¹ You can request interval meter data from your current energy retailer, or your broker/consultant can do this for you.



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If you are engaging an **energy broker**, you could ask:

- What is the exact percentage or cents/kWh commission fee that I will be paying for your service?
- How is your commission fee calculated and what does it apply to? Is it only applied to retail energy charges, or does it include pass through costs, such as network and market charges?
- Will the commission fee be shown separately on my retail energy bills or built into the tariff? Are the fees /commission clearly disclosed when I ask you to go to market on my behalf? Are there any fees for terminating any of the contracts before their end date?

BACKGROUND

What is the Customer Code?

The objective of the National Customer Code for Energy Brokers, Consultants and Retailers is to give large energy customers confidence that we are working together in their best interests and delivering value. The Customer Code aims to raise standards of practice, strengthen trust and confidence and deliver better outcomes for customers. The intention of the Customer Code is also to address some of the concerns about third party intermediaries' selling practices raised in the [ACCC Retail Electricity Pricing Inquiry Report 2018](#).

The Customer Code is a high- level, principles-based code which has four commitments to customers:

1. **Customer centricity** – put customers at the centre of our business and make decisions aligned with driving positive customer outcomes.
2. **Transparency** – provide clear, accurate and relevant information to help customers make informed choices.
3. **Fit for purpose** – offer responsible and accurate products and services that are driven by customer needs and preferences.
4. **Accountability** – be responsive to customer needs and take prompt, appropriate action if customers make a complaint and enquiries to ensure continuous improvement.

How do I know whether a broker or consultant is a signatory to the Customer Code?

Look for the Customer Code logo (above) on your energy broker or consultant's website and check the list of official signatories on the [Energy Charter website](#). For more information, visit the [National Customer Code](#).