

Things to check when procuring a new energy contract

Are you considering using an energy broker or consultant to support you in your energy needs?

Brokers and Consultants play valuable roles in assisting you to go to market to review your energy costs and your needs. They can help you to efficiently review several energy retailer offers.

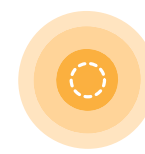
This Guidance Note has been created by the [National Customer Code for Energy Brokers, Consultants and Retailers](#). It aims to help you navigate your energy procurement to ensure that you are making informed decisions about costs, commissions and fee structures, including any ongoing fees and terms. You'll also find some practical questions to ask your broker or consultant if you need more information.

Steps

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| 1. | A letter of Authority (consent form) allows the broker/consultant to access your data | Page 1 |
| 2. | Choose a broker/consultant and review their fees and/or commissions | Page 2 |
| 3. | Review the pricing proposals and contract duration | Page 3 |
| 4. | Look at the options for metering and value added services | Page 3 |
| 5. | Ask questions, we have included some suggestions | Page 4 |
| 6. | Review the terms and conditions for each agreement and then sign your broker/consultant agreement, retailer agreement and separate metering agreement (if applicable) | |

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 but it can be longer. A new authority must be completed every time billing or metering data is requested.



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By signing such a form, you are authorising the broker or consultant to access relevant information including your:

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

COSTS, COMMISSIONS AND FEE STRUCTURES

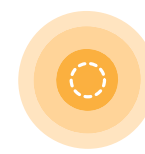
Brokers and consultants may have different business models. Your preference may depend on your business' needs. A broker or consultant will agree the fee or commission paid to them with you directly. Fees may be fee-for-service or commission based. Fees may be paid upfront, or they can be paid through the energy retail bill during the term of your energy contract. The retailer will pass these fees through to the broker or consultant. It's important to note that energy retailers do not generally pay brokers or consultants for bringing opportunities to them, but rather for negotiating and facilitating a contract between them and you as their customer. The retailer is selected by you following a competitive market process.

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 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 via your 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.
- 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.



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- 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 charge for supplying the meter at the premises.

- A Metering Provider is responsible for installing and maintaining the electricity meter(s) at your site so your energy retailer can bill you correctly.
- You have a choice of selecting your own Metering Provider or having one nominated by your energy retailer.
- There may be benefits of selecting your own Metering Provider which include price, access to historical data and continuity if you change retailer. You will have to sign a separate agreement called a Direct Metering Agreement (DMA) which is an agreement between you and the Metering Provider.
- The initial contract term of a DMA is usually 3-5 years and may extend past the term of your retailer contract.
- The broker or consultant can help you sign a DMA and they may add a fee or commission for arranging it. The broker or consultant are a third party not a signatory to the DMA.
- The retailer will charge metering fees on your monthly bill as per the DMA or at the retailer's standard metering rates.
- Some energy retailers charge a fee such as a supplementary metering charge if you enter into a DMA. If you're not sure about charges included in the DMA, then ask.

Value-Added Service (VAS) Fees include added services and support offered in addition to energy procurement. These services should be negotiated and clearly agreed between yourself and your broker or consultant.

- The service fee is negotiated between yourself and the broker or consultant for an agreed term that corresponds with the DMA.
- The VAS fee is added to the DMA.
- When you pay the energy bill, the retailer then passes these fees through to the metering provider, who further passes them on to the broker or consultant.

YOUR ENERGY, DMA AND BROKER/CONSULTANT AGREEMENTS

There can be benefits of tying these agreements together, however the contracts may have different contract lengths and you should ask for information in writing about any impacts if you wish to choose a new broker/consultant or if your circumstances change during these various terms.

Pricing can be more attractive over longer or shorter terms depending on your usage and market conditions at the time. You should consider your circumstances along with the price when choosing your retail offer and duration.



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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

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?

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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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](#).