



**Boxfish v Brokers
Industry Risks Paper & Tender clarifications**

weareboxfish.com

THINGS TO UNDERSTAND AND BE AWARE OF REGARDING USING UTILITY MANAGEMENT BROKERS

The Objective is to have a Utility Management Consultant who will be a safe and trusted pair of hands for the Organisation will be secure in the knowledge that their costs and their budgets using a fixed fee Utility Management Provider are under control and optimised for your business and its stakeholders.

Firstly it should be acknowledged that there is no governance in the utility market when it comes to Third Party Intermediaries (TPI's) or brokers or brokers marketed as consultancies, they can set up a website and be running overnight with zero experience and using a white label company to carry out the work on their behalf for a cut of a commission added into the deal they would try and get a client to sign.

Ofgem have done little to legislate against sharp practises in the TPI space and it is the responsibility of Utility Management Provider to be self-regulating and ethical.

Boxfish practises what it preaches in this area by constantly with support of others in lobbying Ofgem for more regulation and having ethically operated for 26 years operating based on a fair transparent fee, for clear deliverables and zero additional payments hidden or otherwise. Boxfish have clients that have been with them since they started in business and that confirms the level of trust that clients have in us.



bit.ly/areyoukiddingmeDLR

THE BOXFISH FEE 3 POINT GUARANTEE

At Boxfish, The Ethical Utility Consultancy, we pride ourselves on total transparency with regards how we work, and how we cost for that work.

We have said it before and we will say it again: with us, there are no hidden fees or commissions ever!

| What this means | |
|-----------------|---|
| 1 | Costs are always agreed up front. You will only ever pay us the fees that are agreed and defined in your contract between us. |
| 2 | No hidden fees of any kind. There will never be any commissions, kickbacks, benefits in kind or other third-party payments in the supply contracts we arrange on your behalf. |
| 3 | Plus, a refund promise for good measure. If, (and we won't) don't keep to the contracted fees over the life of the contract between us, we will refund your fees paid to date from the start of our contract and will deliver the remaining contracted work for free. |



OUR FEE

Our Fee is preferred to be paid as a straight fee with no hidden or agreed commission ever, as we believe its simple and clean for all to manage budgets.

Fee Clarifications

| You must understand and confirm How will your fee be paid |
|---|
| Transparent full fee with zero commission of 3rd party payments and will that be confirmed by the Energy supplier before any contract is signed by XXXXXXXX |
| Hybrid of Fee and Commission / if so what is the rate per added to the tariff and will you have the split advised as part of the contract documentation from the supplier in its original format clearly showing the full life cycle commission cost based on XXXXX historical consumption? |
| Commission based with confirmation in writing from the supplier in original format as to the capped level of commission applied to this contract and then full life-cycle commission cost of this contract before any contract for supply is signed by XXXXXXXXXXXX |

| Key things to note |
|---|
| (Public Sector only) Only once you have chosen your Utility Management partner then go into the tender for the tariff through their own OJEU compliant framework. They must always be separated as tariff quotation is time bound and moving target and is also the hiding place to put a hidden commission and thus leading to high management fee hidden as a high tariff |
| Absolutely key here is to separate the management fee from a tender for the best price in the market, not going down this route leaves the bid open to hidden commissions being added under the guise of best price tariffs. |
| Please Note that if they are using a third parties framework because they don't have the expertise then there will be a cost for that and at normally 5% to 7% of value of the total energy spend will need to be paid through the tariff set up over and above the base rate. Therefore, paid by XXXXXXXX With Boxfish this is 100% free of charge. |

SHARP PRACTICES

Letters of Authority & Recorded calls

Unfortunately, unscrupulous business will simply mislead or try and get you to pass them a letter of authority which they will use without consent to sign an organisation into contracts with suppliers, generally they speak with a more junior member of Staff and using a carefully crafted script, ask "do you have the authority to give us an LOA so we can look at contracts for you" They record that call as evidence and then sign you into 5 year deals without your consent. A senior manager on leave is an open door for these brokers.

They will then use that to overestimate the consumption used by an organisation to justify a big commission to the supplier and as they have the LOA the supplier will agree and pay that huge inflated commission within 3 weeks of signing the contract in full, leaving the client stuck with the overpriced tariff for 5 years. The supplier in these instances will not want to break it as they will have book that consumption and will not move to release an organisation from the contract as to stem losses.

Please note * One common trick is that a broker will ask for a loosely worded letter of authority to surreptitiously take over the portfolio from the incumbent by seeking quotations, the new letter will supersede the one held by your Utility Management Provider and Suppliers and they will tie you into a contract unwittingly, it can be that risky.



bit.ly/100ksavedforaclient

There are a cluster of businesses started up or run by ex-Utility Wise staff using the same tricks. Please check your contacts work history.



bit.ly/utilitywiseasorrytale

Correct letter of Authority

If issuing an LOA you must: write into the LOA that the broker has no authority to agree, authorise or sign any Energy or Utility Supply contract on your behalf. See the link to our safe worded example below which you would cut and paste onto your own headed paper and sign.

Always PDF the signed version so it cannot be altered. See below.



[Request a letter of Authority Template](#)

Late Negotiations

Commission based brokers may leave everything to the last minute and use the spectre of out of contract rates to force a "this is the best price in the market bid and we need to sign it today before we lose it or the rates go up " strategy. It is a scam where rightly they leave you no time to react and in that panic, they sign you up to the supplier that will pay them the most commission for the contract. You need to be dealing your utility management team and thus suppliers 2.5 months from end of a supply contract minimum or you will be at risk. Boxfish have always timeously managed this by use of their complex client management systems.



bit.ly/stungbybroker

Simply, the tendering broker will bid lowish on his management fee stating that they recently achieved a tariff rate too good to be true then once engaged will unsurprisingly increase the tariff rate blaming it on a spike that you need to sign up to before prices go up again or they do that to worry you with out of contract and add in a hidden commission in the commotion.



bit.ly/neversomethingfornothing

Low Balling

It's very common to see a lowball offer for a Utility Management Service which seems too good to miss out on, only to find out that the tariff is manipulated to hide a commission to push the cost to the true cost or beyond! One easy check is to ask yourself how much time and effort would you need to put into the scope of work doing it yourself and then put a salary cost against that and add some for a company's reasonable profit. No TPI or Consultancy is a charity. The supplier paying for it? That's just you paying through a tariff returned to the broker in commission period! So please be aware.

EXAMPLES OF ORGANISATIONS THAT HAVE FALLEN FOUL

There are many companies that have tricked clients and Boxfish are involved in extricating the unfortunate victims of sharp practises through a significant number of rogue brokers led deals. For clarity, some commercially sensitive examples advised:

| Examples |
|--|
| A large housing association had a contract with a broker pretending to be a consultancy who fixed them into a 5 years deal that had a hidden £31k hidden commission over the agreed price adding £155k over for what we would have charged for our flat fee per year cost the association near £180k over and above our lifetime fee for less work. |
| A large chain business had their CEO on leave when Utility Wise called and ran through the script with the then financial manager who in trying to cut costs passed to the broker a letter of authority (LOA) which then led to the broker locking them in unwittingly into a 5 year contract with an operational uplift of £267k over three years over the market rates in hidden commission for that tariff. |
| A Premiership football club had their exiting finance manager do a similar deal with a TPI that disappeared and closed shortly after the contracts were signed and hidden commissions of almost £500k were agreed and mostly paid out by the supplier locking that Club into an unfair contract |
| One organisation fell afoul of a deal to cut their management fees from £10,000 a year to £4000 a year but entered into an agreement that added almost £1m in hidden commission over 5 years to their operating costs |

How do we know of these examples?

It is because all these as the organisations are currently involved and are dealing with the Boxfish disputes team to rectify the situation at a legal level. There are many more of these disputes that are being reviewed weekly by our in-house experts.

Additional things to watch out for:

| Red Flags |
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| During due diligence anyone that does not have three years audited accounts. That is a Red Flag |
| How much money goes through their account compared to the number of clients, high numbers of clients indicate a one-off strategy for doing business as if taken advantage off they will not be back, 200,000 plus clients is not always as it seems. Most of them will not repeat business |
| Be wary of sites like trust pilot etc they are full of fake reviews, find a client or clients through the company's website and call them to discuss their experience. If you see a company shut down negative comments rather than openly deal with them that is a red flag. |
| Companies House is your friend when it comes to seeing where there may be issues with an organisation, linked directors to multiple broker businesses which open then shut is a red flag. |

Useful posts and articles



bit.ly/ofgemcrackdown



bit.ly/hiddenfeesandcommissions



<https://bit.ly/boxfish60ksaving>

INFORMATION TO LOOK FOR IN A TENDER RESPONSE

Key Clarifications that must be used in pre-selection and within any main tender if that is the direction of travel. These questions can also verify any offer being made to you by a broker.

The aim of the clarifications below is to weed out rogue business and brokers, these can be huge businesses and single one-man bands who have recently set up. Key is to pull out how they get paid. Size of the business is not the key to portfolio and budget security, Independence from Suppliers plus the full transparency on what an organisation will pay for management fees and the ongoing tariff is, as well as legislative compliance.

Key tender clarifications to be carried out

How many similar businesses do you provide service for? Please provide three examples minimum, including duration and contact details for the Organisation to get references from those clients.

What is the key requirement for our organisation in providing a Utility Management Service?

What services do you provide within that management service?

Please confirm the way you are paid for your services by providing a copy of your terms and conditions proposed between the our organisation and yourselves showing the mechanism for how you are paid for your services clearly highlighted and notarised.

Please also add link to your website which outlines how you do business.

Please provide a copy of your audited Financial accounts for the last three years.

Please disclose how many of all the licensed suppliers of electricity Gas and water you have commission agreements in place with?

Key tender clarifications to be carried out (ctd)

If you propose to arrange commission payments from any Electricity, Gas or Water supplier, please provide full disclosure of the proposed amount to be added in pence per kWh for each of Gas, Electricity and Water including unmetered supplies.

Please also confirm that the amounts you provide will remain the same throughout the duration of the supplier's contract irrespective of which supplier we award an energy supply agreement.

Please disclose how many of all the licensed suppliers of Water Gas and Electricity you do not have commission agreements in place with? Please guarantee those suppliers would be invited to participate in all tenders as we would want to see their offers.

Please disclose the full supplier list issued for the tender as part of this tender we will need to see their offers in their original format.

Please confirm that you will never accept any other form of payment from any energy or water supplier in connection with (including but not limited to sign-on fee, transfer fee, recurring fee , payment in kind or any other type of payment).

Do you have your own OJEU compliant framework for Energy and Water and if not do you use a 3rd party framework to deliver this requirement?

If you use a 3rd parties OJEU framework what is the way its set up , a single supplier with a matrix of cost of Tariff for the period to allocate to the client or a number of suppliers on the framework able to compete with best rates against the others in a ten day mini tender? **Again, all offers will need a breakdown of tariff and commission in writing in its original format from the supplier.**

If using a 3rd party framework, how is the cost of use being applied to the tariff and how much would that be in % of total energy spend. Please send link to yours and the proposed 3rd parties frameworks web page for review?

IN SUMMARY

The information above shows how risky it could be to go to market and secure a new Utility Management provider especially when their will be predatory brokers seeking opportunity in these uncertain times coming out of Covid19 and praying on the concerns on pressures on budgets and better outcomes for clients that may not transpire.

Organisations will have been inundated daily with calls from Brokers promising the earth on a call and trying to secure a Letter of Authority to check what they can do. It is that risky and all need to be vigilant. This document give you the edge in choosing the right Utility Management partner and that's exactly who Boxfish would be for you.

Boxfish are the only UK Utility Consultancy to offer a Three-Point Guarantee on what you will pay for our services.



www.weareboxfish.com/the-boxfish-3-point-guarantee

Business Cost Consultants (rebranded as Boxfish as a trading name to modernise the business) have been in business for 26 years serving long term clients that are testament to their high ethical standards and something an organisation needs to have peace of mind when using a 3rd party provider.

In working with organisations we will never issue or a contract that we felt was risky or non-beneficial to the business or their stakeholders.

Boxfish will always the best interests of the organisation at the centre of what we do, there will always be a high level of communication and reporting that allows us to monitor things internally.

Boxfish will never take any additional payment for work from any source over and above the fee we are contracted with the organisation

We are recognised are one of the very few consultancies that have excellent Public and Private sector experience in a national context and lead with their own OJEU compliment competitive Framework for Energy and Utilities Electricity, Water and Gas.

We work for you as an extension of your own organisation and not a third party, because it is **"The Boxfish way!"**



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