

Additional statement dynamic energy suppliers to Consumer and Energy Supplier Code of Conduct

On 29 December 2020, Energy Netherlands' Consumer and Energy Supplier Code of Conduct 2020 was created. In addition to this code of conduct, this statement was created in 2021, covering suppliers offering dynamic supply agreements. By signing this supplemental statement, these suppliers clarify requirements for, among other things, the preparation of a customized offer, including a standard calculation methodology for spot price forecasting and the level of information provision.

Definitions

To the list of definitions is added:

Dynamic supply agreement: supply agreement for electricity or gas that reflects the price movement in the spot markets. For electricity, the interval for this is every hour; for gas, the interval for this is 1 day.

For clarification purposes, the following additional agreements were made with respect to Article 1.10(f) (total expected annual cost), (g) (entering into dynamic supply agreement) and (h) (customized offer):

Total expected annual cost indication under dynamic supply agreements

A supplier of dynamic supply agreements encourages consumers to provide their (average) (last known) annual consumption and zip code in order to arrive at the most realistic indication of total expected annual costs.

In a dynamic supply agreement, the expected annual costs are calculated according to the tailor-made supply method, where the price component (spot price estimate) is calculated according to a common market standard. For more details, see below: Customized offerings.

Providing information when entering into dynamic supply agreements

A special website has been set up to properly inform consumers about how dynamic supply agreements work. The objective of this joint website is to contribute to knowledge about the possibilities of the energy market (flexibility, storage), energy savings and (thus) cost savings and the operation of dynamic supply agreements.

Therefore, this website contains general, objective information. For example, this website contains information about how the energy market works and the factors that can affect the price of energy. It also addresses the fact that there is no such thing as a fixed supply price per kWh for electricity and/or per m³ for gas because prices move with the market price and thus can be different by the hour for electricity and by the day for gas. In addition, the website also lists the terms of a dynamic supply agreement, such as the suppliers' obligation to explain that past prices are no guarantee for the future. And the condition that consumers must have active remote readable (smart) meters. Finally, this website displays (hourly or daily) prices (one day in advance).

The website www.dynamische-energieprijzen.nl is jointly operated by the signatories of this statement.

Any supplier of a dynamic supply agreement can join by signing this statement.

Customized offerings for dynamic agreements

Suppliers offering dynamic supply agreements in the Netherlands use the following standardized methodology for providing a spot price forecast to prepare the customized offer. This is because this price prediction, in particular, determines the calculation of the advance payment, which is shown to a customer in the quotation/comparison phase.

Note that the methodology refers only to calculating the basic price of a kilowatt-hour and a cubic meter for electricity and gas, respectively. Other energy-related purchasing costs or markups are not part of the standard.

Using this standard makes the inter-comparability of "dynamic contract" propositions easier for consumers, reduces the likelihood that a consumer will have to pay a lot of extra or get a lot back, and allows consumers to (better) compare different propositions.

Calculation methodology

The spot price prediction is calculated as follows and with the following inputs:

1) Prices

End-of-day (EOD) published "Monthly Futures" are applied as the basis for the calculation. For example, ICE Endex publishes these daily¹ (other sources can also be applied). For electricity, ICE Endex publishes: "NLB - Dutch Power Financial Base Futures." For gas, ICE Endex publishes: "TFM - Dutch TTF Natural Gas Base Load Futures." These reports include the market forecast for the future price for the coming months.

2) Delivery months

The delivery period is determined by:

- A. Date of price change (often tomorrow or next week)
- B. Time between acceptance of the offer and start of delivery (often 30 or 45 days)
- C. Expected delivery period (often 12 months)

A + B + C thus determines which monthly prices are included in the calculation.

¹ <https://www.theice.com/marketdata/reports/159>

3) Intake profile

Customer groups in the Netherlands have a profile class (E1A, G1A, etc.) for which monthly fractions have been established by NEDU (or other sources). These fractions, multiplied by SJV, estimate monthly consumption. These fractions are applied to weight the monthly prices.

Suppliers are free to apply proprietary fractions for non-standard customer groups (for which there are no adequate survey results).

4) Correction factor

The result of the above calculation is corrected by a correction factor to be determined annually. The correction factor for 2021 is set at 15%.

Suppliers who sign the Code of Conduct and thus use the above methodology also agree to:

- Update the price forecast at least 1x per month, including an indication of the reference date.
- Not to cap the number of updates per month.
- Recalibrate the correction factor annually on 1 July.
- If desired, provide an Excel model to facilitate correct application in practice.