



*The Energy Services Partnership*

**ESP are hitting the credit crunch head on!**

## **Energy Suppliers – Credit Risk Status Reviews**

As we are all too well aware the current financial crisis is impacting all businesses in a variety of different ways. Although higher energy prices continue to impact customers bottom line results and careful timing of contract renewals is still of prime importance, an additional factor is becoming a critical component of the decision making process.

In recent discussions during our regular update meetings with a number of the major UK energy suppliers, we have become aware that they are reviewing the credit terms under which they will supply energy to their customers in order to protect their financial exposures. As part of their own ongoing due diligence, they monitor the trading and payment performance of their customers but due to the current economic situation, (allied to the fact that their underwriters are either increasing credit insurance premiums or refusing to insure at all), they are scrutinising these ever closer than hitherto.

The immediate consequence of this for those customers who have experienced, or are experiencing, deterioration in their own credit scores is that at contract renewal:

- Suppliers may refuse to provide an energy supply contract without substantial surety in the form of a cash security deposit (this includes Customer's existing Supplier), or in some cases
- Refuse to provide an energy contract under any circumstances.

In the latter case, where neither the existing Supplier or an alternative Supplier is prepared to enter into a contract, Customers have no option but to remain with their existing Supplier and be charged punitive default rates which are typically two or three times higher than contract rates.

Given this scenario, should you believe that this position may affect your business over the coming year please contact us immediately and we will review your position and set out what options are available to you.

For more information please visit our new website at:

**[www.energyservicespartnership.co.uk](http://www.energyservicespartnership.co.uk)**

Or contact us directly on **0871 230 1824** for a chat about how we can create effective energy solutions together.