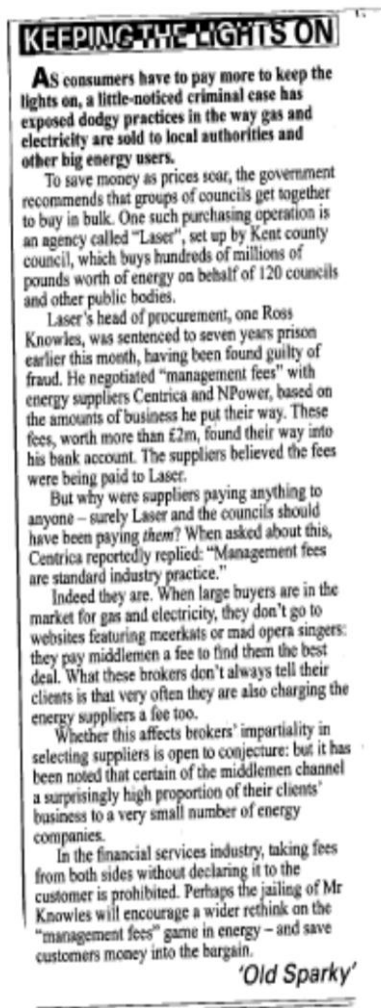


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## KEEP THE LIGHTS ON – Private Eye No 1315 Page 9 COPY



"As consumers have to pay more to keep the lights on, a little-noticed criminal case has exposed dodgy practices in the way gas and electricity are sold to local authorities and other big energy users.

To save money as prices soar, the government recommends that groups of councils get together to buy in bulk. One such purchasing operation is an agency called 'Laser', set up by Kent county council, which buys hundreds of millions of pounds worth of energy on behalf of 120 councils and other public bodies.

Laser's head of procurement, one Ross Knowles, was sentenced to seven years prison earlier this month, having been found guilty of fraud. He negotiated "management fees" with energy suppliers Centrica and NPower, based on the amounts of business he put their way. These fees, worth more than £2m, found their way into his bank account. The suppliers believed the fees were being paid to Laser.

But why were suppliers paying anything to anyone – surely Laser and the councils should have been paying them? When asked about this, Centrica reportedly replied: "Management fees are standard industry practice."

Indeed they are. When large buyers are in the market for gas and electricity, they don't go to websites featuring meerkats or mad opera singers: they pay middlemen a fee to find them the best deal. What these brokers don't always tell their clients is that very often they are also charging the energy suppliers a fee too.

Whether this affects brokers' impartiality in selecting suppliers is open to conjecture: but it has been noted that certain of the middlemen channel a surprisingly high proportion of their clients' business to a very small number of energy companies.

In the financial services industry, taking fees from both sides without declaring it to the customer is prohibited. Perhaps the jailing of Mr Knowles will encourage a wider rethink on the "management fees" game in energy – and save customers money into the bargain. *'Old Sparky'*