



The Global CEO Advisory Firm

Court Case No. 2181 of 2021  
High Court of Justice, Chancery Division, Business  
Property Courts of England and Wales  
Company Number: 08469555

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# **Bulb Energy Ltd (in energy supply company administration) (“energy administration”) (“the Company”)**

**Progress report to creditors for the period 24 November 2021 to 23 May 2022 pursuant to rule 33 of the Energy Supply Company Administration Rules 2013 (“the Rules”)**

21 June 2022

Matthew James Cowlshaw, Matthew David Smith and Daniel Francis Butters (“the Joint Energy Administrators”) were appointed Joint Energy Administrators of Bulb Energy Limited by Order of the Court dated 24 November 2021 on the application of the Gas & Electricity Markets Authority (“GEMA”) of 10 South Collonade, Canary Wharf, London, E14 4PU with the consent of the Secretary of State (the “SoS”) of Business, Energy and Industrial Strategy (“BEIS”). The affairs, business and property of the Company are managed by the Joint Energy Administrators. The Joint Energy Administrators act as agents of the Company and contract without personal liability. All licensed Insolvency Practitioners of Teneo Financial Advisory Limited (“Teneo”) are licensed in the UK to act as Insolvency Practitioners by the Institute of Chartered Accountants in England and Wales.

For the purposes of paragraph 100(2) of Schedule B1 to the Act (as amended) and as applied by section 158(5) of the Energy Act 2004 and as applied by section 96 of the Energy Act 2011, the Joint Energy Administrators confirm that they are authorised to carry out all functions, duties and powers by either of them jointly and severally.

	Contents	1
	Key messages	2
	Progress of the administration	4
	Remuneration	12
	Appendices	14





## Key messages



## Key messages

### Joint Energy Administrators of the Company

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	Commentary
<b>Objectives of the energy administration</b>	<p>The objective of the energy administration is to secure that:</p> <ol style="list-style-type: none"><li>1. energy supplies are continued at the lowest cost which it is reasonably practicable to incur; and</li><li>2. it becomes unnecessary, by one or both of the following means, for the energy administration order to remain in force for that purpose. Those means are:<ul style="list-style-type: none"><li>– the rescue as a going concern of the Company; and</li><li>– the transfer as a going concern to:<ul style="list-style-type: none"><li>o another company, or</li><li>o to two or more different companies.</li></ul></li></ul></li></ol> <ul style="list-style-type: none"><li>• Customers (including those with prepayment meters) do not need to do anything and customers' existing credit balances are protected.</li></ul>
<b>Progress of the energy administration</b>	<ul style="list-style-type: none"><li>• A TSA ("Transitional Services Agreement") has now been agreed between the Company and the Administrators of Simple Energy Limited ("Simple"), the Company's parent, so as to enable the Company to continue to use the services of Simple's workforce and its IT systems and infrastructure.</li><li>• The Joint Energy Administrators have continued to deliver the first part of the Energy Administration objectives (of continuing to supply energy at lowest reasonable cost) by purchasing energy through the incumbent wholesale supplier, maintaining operations, meeting regulatory liabilities and overseeing control of all financial matters. Please see page 6 and 7 for further details.</li><li>• c.£901m has been drawn down to meet the costs of the Energy Administration under the funding agreement ("AFA") as entered into with BEIS. Please see page 5 for further details.</li><li>• The Joint Energy Administrators continue to pursue the rescue of the Company / transfer as a going concern as the second part of the Energy Administration objectives with the sales process ongoing. Please see page 8 for further details.</li></ul>
<b>Estimated Timescale</b>	<ul style="list-style-type: none"><li>• The Company will remain in Energy Administration until such time as a rescue or sale of its business has been achieved and any actions required to be taken by the Joint Energy Administrators or the Company following such sale have been completed. The sales process commenced in February 2022 and has progressed into the second round with a number of interested parties now undertaking detailed due diligence.</li></ul>
<b>Estimated Costs of the Energy Administration</b>	<ul style="list-style-type: none"><li>• In accordance with the Rules our remuneration will be fixed on application to the court. Please see page 13 for further details.</li><li>• We are now in the process of finalising our application to Court to recover pre-administration costs totalling c.£3m.-Please see page 13 for further details.</li></ul>
<b>Prescribed Part</b>	<ul style="list-style-type: none"><li>• It is unlikely that there will be a distribution for unsecured creditors.</li></ul>



## Progress of the administration

Summary	5
Receipts and payments	9
Prescribed part	11



# Progress of the administration

## Summary

### Background

The Company supplies renewable energy to approximately 1.5 million domestic customers and 14,000 non-domestic customers in the UK.

The Company was granted an electricity supply licence on 17 July 2013, and a gas supply licence on 27 July 2015, and commenced trading thereafter. The Company has no generating capacity of its own, and as a result, purchases its electricity and gas needed for consumption by its customers on the wholesale market.

The Company experienced a sharp increase in net losses and deterioration in cash flow due to increases in the price of wholesale gas and electricity from May 2021, which meant the Company was required to trade at a loss in order to maintain a continuity of supply to its customers.

The unprecedented levels of wholesale prices resulted in rapid increases in the levels of cash collateral required by energy suppliers, exacerbating liquidity constraints within the business.

Following the failure to find additional funding or agree a sale of business, the Directors informed Ofgem on 18 November 2021 that they had concluded it had no prospect of avoiding insolvency and therefore Ofgem took the necessary steps to place the company into energy administration which occurred on 24 November 2021.

### The manner in which the affairs and business of the Company have been, and will continue to be, managed and financed since appointment

We have set out on the following pages a summary of the activities undertaken by the Joint Energy Administrators in pursuing the statutory objectives, being to secure that:

1. energy supplies are continued at the lowest cost which it is reasonably practicable to incur; and
2. it becomes unnecessary, by one or both of the following means, for the energy administration order to remain in force for that purpose. Those means are:
  - the rescue as a going concern of the Company; and
  - the transfer as a going concern to:
    - another company, or
    - to two or more different companies.

However, a transfer is permissible only to the extent that:

- rescuing the Company as a going concern is not reasonably practicable, or it is not reasonably practicable without such transfer; or
- the rescue of the Company as a going concern will not achieve that objective or will not do so without such transfer; or
- such transfer would produce a result for the Company's creditors as a whole that is better than the result that would be produced without it; or
- such transfer would, without prejudicing the interests of those creditors as a whole, produce a result for the Company's members as a whole that is better than the result that would be produced without it.

### Funding Agreement

As previously advised, the Joint Energy Administrators and the Company have entered into a funding agreement with the Secretary of State for Business, Energy and Industrial Strategy, the "Administration Funding Agreement" ("AFA"), which the Energy Administrators were authorised and directed to enter into, by order of the Court on 24 November 2021 and provides an overall funding line of up to c.£1.7bn.

As of 23 May 2022 there have been no revisions to the AFA or the overall funding limit.

Drawdowns under the AFA in the six month period to 23 May 2022 total £900.5m (excluding temporary letters of credit which have been issued) per the R&P shown later in this report.

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# Progress of the administration

## Summary

### Statutory objective – Part 1

#### Overview

The Energy Administrators have continued to deliver the first part of the Energy Administration objectives (of continuing to supply energy at the lowest reasonable cost). We set out the progress of the Energy Administration during the reporting period below.

#### Financial oversight and control

On appointment a review of the Company's existing processes and procedures was completed along with the implementation of additional controls where needed (including establishing administration bank accounts and requiring all purchases to be authorised by a member of the Joint Energy Administrators' team).

Following this review, the Joint Energy Administrators continue to exercise financial oversight and control over the Company's finances to ensure that the first part of the Energy Administration objectives can be achieved. This includes:

- ensuring that management information continues to be produced in an efficient manner;
- processing all receipts and payments during the Energy Administration;
- cash flow forecasting and making drawdown requests under the AFA in order to continue supplying customers;
- complying with all requirements under legislation and the AFA;
- negotiating and agreeing cash collateral / letter of credit requirements with relevant suppliers;
- seeking to recover value from intercompany debtors;
- dealing with tax matters; and
- implementing additional controls as and when required and exploring opportunities for minimising costs and improving financial performance of the business.

#### Maintaining Operations

Immediately upon appointment the Energy Administrators took actions to stabilise the operations as set out in the proposals. We summarise the progress in maintaining operations below covering employees, wholesale energy supply, regulatory compliance, customers and property.

#### Employees

The Transitional Services Agreement ("TSA") referenced in the proposals has now been agreed between the Company and the Administrators of Simple. This is required as the trading arrangements between the two entities were not previously documented, and allows the Company to continue to use staff employed by its parent company, its systems and intellectual property.

Payments made under the TSA in the period total c.£39.5m which includes payments in respect of employees (payroll), royalties and a contribution towards certain professional fees, which include a contribution towards those of the Administrators of Simple and their expenses.

We continue to review and manage resource requirements in conjunction with Simple to ensure the business has adequate employee resource. This includes recruitment of permanent hires, contractors and the reorganisation of existing employees to address critical areas such as servicing the Bulb customer base.

# Progress of the administration

## Summary

### Statutory objective – Part 1 (continued)

#### **Wholesale energy supply**

Before the appointment, the majority of the Company's energy supply was purchased through a wholesale supply agreement with a wholesale supplier, with the remainder purchased through a variety of Power Purchase Agreements direct with generators.

The Joint Energy Administrators entered into expedited negotiations with the incumbent wholesale supplier and were able to reach agreement for continued supply during the trading period.

We have continued to trade with the incumbent wholesale supplier in line with the power purchasing strategy, as agreed by BEIS, to ensure continuity of supply for customers in line with the primary objective. This includes detailed consideration and management of the Company's renewable position as well as consideration of alternative sources of supply to ensure best value for money.

#### **Regulatory Compliance**

As stated within our proposals, the maintenance of the Company's energy supply licences is necessary to ensure that the Company remains able to supply energy to customers and thereby to maximise the possibility of rescuing or transferring the Company as a going concern, consistent with the objective of the energy administration.

The Joint Energy Administrators have therefore sought to continue to comply with all licence conditions to ensure, as far as possible, that the Company is not exposed to the risk of any enforcement or revocation action.

This includes implementing:

- a dedicated regulatory compliance team working with the Company team and Ofgem to ensure compliance items are up to date and that the regulator is duly informed of any actions required to mitigate issues should they arise;
- a dedicated operational supplier team to manage industry specific suppliers such as Distribution Network Operators, Gas Distribution Networks and meter asset providers; and
- a dedicated infrastructure supplier team to manage relationships with other critical suppliers such as IT infrastructure to ensure continuity of service.

#### **Regulatory Compliance (cont.)**

In addition, the Joint Energy Administrators have continued to work towards achieving and complying with various industry initiatives including Warm Home Discount ("WHD") and Energy Company Obligation ("ECO").

#### **Customers**

The Joint Energy Administrators continue to work with the Company's service delivery teams to ensure that customers receive ongoing supply of energy whilst also maintaining suitable levels of customer support and billing. This includes but is not limited to the following activities:

- management and oversight of the Company's customer service team and outsourced providers to service customer queries and provide relevant information to customers;
- oversight and review of billing and revenue assurance functions to ensure accurate and timely billing and payment adequacy activities; and
- oversight of price change activities both prior to and following the increase to Ofgem's price cap effective in April 2022.

#### **Property**

The Company continues to occupy its offices on a business-as-usual basis, while the sales process described overleaf is ongoing.



# Progress of the administration

## Summary

### Statutory objective – Part 2

#### Sale of business

The Joint Energy Administrators together with the Administrators of Simple have jointly appointed a third party advisor, Lazard Ltd (“Lazard”), to pursue a joint sale of the operations of the Group.

Lazard’s appointment followed a multi-party tendering process where they demonstrated their knowledge of the sector and the Company and put forward a preferred strategy for marketing the business for sale.

An independent M&A advisor was chosen in order to provide impartial advice and facilitate the process for both the Joint Energy Administrators and the Administrators of Simple given that the sales process involves marketing of assets from both administration estates.

The formal sales process commenced in February 2022. 74 (industry and financial) parties were identified and contacted regarding the opportunity. The process has progressed with a number of interested parties now undertaking detailed due diligence during the second phase of the sales process.

A further update will be provided in the next report.

#### Details of Assets disposed of or sold

As described previously, the Company’s claim against Bulb Energia Iberica SL (“Bulb Spain”) was assigned to BIHL (“Bulb International Holdings Limited”) on 30 December 2021. This took place as part of BIHL’s sale of Bulb Spain in return for BIHL agreeing to make the vast majority of the deferred consideration it receives in respect of the sale of Bulb Spain available to the Company.

No further assets have been disposed of or sold in the period.

#### Details of Assets remaining to be realised disposed of or sold

As described above the Joint Energy Administrators continue to pursue a rescue of the Company as a going concern / transfer as a going concern as part of the current sales process.

## Progress of the administration

### Receipts and payments

#### Joint Energy Administrators' trading account 24 Nov 2021 to 23 May 2022

£	Notes	
<b>Receipts:</b>		
Customer receipts	1	1,181,788,813
Cash at bank	2	80,827,032
AFA drawdown	3	900,500,000
		<b>2,163,115,845</b>
<b>Payments:</b>		
Power & gas wholesale	4	(1,510,751,940)
Industry costs	5	(371,335,255)
Environmental and social costs	6	(40,449,687)
Customer service and billing		(8,719,004)
Other direct costs		(1,644,908)
Other operating expenses		(12,544,960)
Pre-appointment regulatory liabilities	7	(75,301,128)
Pre-appointment costs	8	(5,537,029)
TSA payments	9	(39,543,859)
Professional fees	10	(1,559,408)
		<b>(2,067,387,178)</b>
<b>Trading cash flow / balance</b>		<b>95,728,667</b>
<b>Made up of:</b>		
Cash		95,728,667
		<b>95,728,667</b>

The Joint Energy Administrators' trading account detailing receipts and payments on a gross basis (i.e. inclusive of VAT) in relation to trading of the Company from the period of our appointment on 24 November 2021 to 23 May 2022 is provided in the table opposite.

#### Notes to trading account

##### 1. Customer receipts

Customer receipts in the period relate to both credit and pre-payment customers. This is shown net of credit balance refunds made to customers paying by direct debit.

##### 2. Cash at bank

To date we have received c.£81m relating to cash held either in pre-appointment bank accounts or realised from industry parties and utilised during trading, including c.£5m held in a ringfenced account by the parent company, Simple, which was net against employee costs charged under the TSA.

##### 3. AFA drawdown

Relates to cash amounts drawn down under the AFA and does not include any amounts used to provide temporary Letters of Credit with relevant industry parties.

##### 4. Power & gas wholesale

Amounts paid for wholesale gas and power in line with the power purchasing strategy.

##### 5. Industry costs

Payments to relevant industry parties in respect of the transmission and distribution of both gas and power as well as costs relating to meter rentals, installation and other associated costs to ensure continued supply of energy to customers.

##### 6. Environmental and social costs

Relates to costs due under industry schemes such as WHD and ECO, certain renewable obligations and amounts paid to customers including in relation to manual customer credit balance refunds and customer compensation.

This does not include payments in relation to Renewable Obligation Certificates ("ROC"s) buy-out charges for the 2021-22 obligation period due in August 2022.

Further notes to the receipts and payments account are provided on the following page.

## Progress of the administration

### Receipts and payments

#### Joint Energy Administrators' trading account 24 Nov 2021 to 23 May 2022

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<b>Made up of:</b>		
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		<b>95,728,667</b>

#### Notes to trading account (continued)

##### 7. Pre-appointment regulatory liabilities

Amounts paid in relation to certain industry payments as provided for in the AFA.

##### 8. Pre-appointment costs

Essential payments to suppliers that threatened to withdraw services which would have resulted in significant disruption and cost including impacting on the ability to achieve the objective of the administration.

##### 9. TSA payments

Relates to payments made under the TSA agreed with the Administrators of Simple, as follows:

- Employee costs of c.£25.5m;
- Royalty fees of c.£12.5m; and
- Contribution towards Professional fees of c.£1.5m.

##### 10. Professional fees

Relates to payments made in respect of legal advice received post-appointment.

##### 11. VAT

All sums shown opposite are shown gross of VAT, which is recoverable and will be accounted for to HM Revenue & Customs in due course.

## Progress of the administration

### Prescribed Part

#### Prescribed Part

The Prescribed Part is an amount set aside for unsecured creditors from asset realisations that would otherwise be paid to secured creditors under their floating charge, (referred to as the net property), as set out under section 176A of the Act. It applies only where the charge was created on or after 15 September 2003.

The Prescribed Part is calculated as a percentage of the net property and is subject to a statutory maximum of £800,000 per company.

Where the value of the Prescribed Part is so small as to make the costs of distributing it disproportionate, the court may, on our application, disapply it.

Based on current information, we do not anticipate that the Company will have any available net property and therefore no Prescribed Part distribution is likely to be made.

#### Claims process

As there is no reasonable prospect of a distribution for unsecured creditors, we do not intend to undertake any work to agree any creditor claims received at this stage.



## Remuneration and expenses

Remuneration and Expenses including pre-administration costs

13



## Remuneration and Expenses including pre-administration costs

### The Joint Energy Administrators' remuneration – approval and reporting

Pursuant to Rule 76 of the Rules the Joint Energy Administrators' remuneration is to be fixed:

- by the court;
- on application by the Joint Energy Administrators; and
- by reference to the time properly given by the Joint Energy Administrators and their staff in attending to matters arising in the Energy Administration.

The Joint Energy Administrators must give at least 14 days' notice (of an application to court to fix their remuneration) to the following, who may appear or be represented:

- a) the SoS;
- b) GEMA; and
- c) the creditors of the Company.

### Reporting and Additional Approval of the Joint Energy Administrators' Proposed Remuneration and expenses

Pursuant to the terms of the AFA, the Joint Energy Administrators are entitled to recover their reasonable and proper remuneration from monies held by them under the AFA at fee rates approved by the SoS prior to the Appointment of the Joint Energy Administrators, and subject to the following additional requirements to:

- report to BEIS on a fortnightly basis with details of their and their staff's time costs analysed by grade and activity and applicable charge out rates. Time is recorded in six minute units; and
- agree their reasonable and proper remuneration with BEIS in advance of application to have their remuneration fixed by the court in accordance with Rule 76 of the Rules (as referred to above); but
- in the event that such agreement is not reached, the Joint Energy Administrators may nevertheless proceed to have their remuneration fixed by the court.

Pursuant to the terms of the AFA as referred to, the Joint Energy Administrators are also required to report to BEIS on a fortnightly basis with details of all accruing disbursements.

Whilst our time costs and expense have been shared with BEIS as part of fortnightly reporting, they have not yet been reviewed in detail or agreed by BEIS. Once agreed by BEIS, we intend to make an application to court for approval of our remuneration and expenses for the period up to 31 March 2022, and in advance of which at least 14 days' notice will be provided via the case website.

### Pre energy administration costs

We are now in the process of finalising our application to Court to recover unpaid pre-Energy Administration costs.

In the following table, we have provided a summary of the unpaid pre-administration costs, for the work carried out by our legal advisors Linklaters LLP, counsel and ourselves in the period prior to the energy administration. As previously reported in our proposals, this was carried out with the intention of helping to achieve the objective of the energy administration, to secure continuity of supply post appointment.

The costs set out below were all incurred on work undertaken to implement the energy administration strategy and statutory objectives.

### Pre-appointment remuneration and expenses

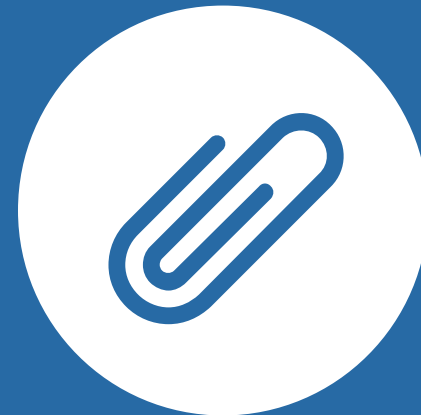
£	
Energy Administrators' fees	1,583,836
Energy Administrators' expenses	1,201
Legal advisor's fees	1,444,105
Legal advisor's expenses	18,553
Counsel fees	134,226
Counsel expenses	-
<b>Total invoiced</b>	<b>3,181,921</b>
Total paid	-
<b>Amount outstanding</b>	<b>3,181,921</b>

Note: All fees and expenses approved by BEIS on 24 Nov 21

## Appendices

Glossary

15



## Appendices

### Glossary

#### Glossary of terms

In these Proposals, the following words have the following meanings:

“**Act**” refers to the Insolvency Act 1986 (as amended);

“**Administrators of Simple**” refers to Richard Heis and Michael Robert Pink, both of Interpath Ltd, as the joint administrators of Simple;

“**AFA**” refers to the administration funding agreement entered into between the Joint Energy Administrators, Bulb and the SoS on 24 November 2021;

“**Application**” refers to the court application made by GEMA on 24 November 2021 for an energy supply company administration order in relation to the Company under section 156 of the EA 2004, as applied and modified by section 96 of the EA 2011;

“**BEIS**” refers to the Department for Business, Energy and Industrial Strategy;

“**BIHL**” refers to Bulb International Holdings Limited;

“**BNY Mellon**” refers to the BNY Mellon Corporate Trustee Services Limited, the security trustee on behalf of Sequoia;

“**Bulb**” refers to Bulb Energy Ltd (in energy supply company administration);

“**Company**” refers to Bulb Energy Ltd (in energy supply company administration);

“**Court**” refers to the High Court of Justice of England and Wales;

“**CVA**” refers to a company voluntary arrangement;

“**CVL**” refers to a creditors’ voluntary liquidation;

“**EA 2004**” refers to the Energy Act 2004;

“**EA 2011**” refers the Energy Act 2011;

“**Energy Administration**” refers to the energy supply company administration;

“**GEMA**” refers to the Gas & Electricity Markets Authority;

“**Group**” refers to Bulb Energy Ltd and its parent Simple and its subsidiaries;

“**Joint Energy Administrators**” refers to Matthew James Cowlshaw, Matthew David Smith and Daniel Francis Butters as the joint energy administrators of Bulb;

“**Proposals**” refers to this statement of proposals pursuant to paragraph 49 of schedule B1 to the Act (as applied and modified by schedule 20 of the EA 2004);

“**Rules**” refers to the Energy Supply Company Administration Rules 2013;

“**Sequoia**” refers to Sequoia IDF Asset Holdings S.A, the secured creditor;

“**Simple**” refers to Simple Energy Limited (in administration), the parent company of Bulb;

“**SoS**” refers to the Secretary of State for Business, Energy and Industrial Strategy;

“**Teneo**” refers to Teneo Financial Advisory Limited; and

“**TSA**” refers to Transitional Services Agreement.





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