

Statement by the Gas and Electricity Markets Authority, following an investigation into compliance by British Gas Trading Limited with its obligations under Standard Licence Conditions 17, 40(1), 40(5), 21 and 27(7)(b) of its Gas Suppliers Licence and Standard Licence Conditions 40(1), 40(4), 21 and 27(7)(b) of its Electricity Supply Licence.

16 September 2003.

1. Ofgem has conducted an investigation into British Gas Trading Limited's compliance with Standard Licence Conditions 17, 40(1), 40(5), 21 and 27(7)(b) of its gas suppliers licence and Standard Licence Conditions 40(1), 40(4), 21 and 27(7)(b) of its electricity supply licence.
2. On 7 February 2003, *energywatch* (Scotland) issued a press release stating that "50,000 British Gas (Centrica) customers [had] been forced into debt because of the company's inability to issue bills". In response, British Gas Trading Limited's Director of Service Quality stated "There are probably 10,000 customers who haven't been billed for over a year" [Transcript – Radio 4 'Today']. The statements prompted Ofgem to ask *energywatch* for further details (which it provided in the form of complaint records) and to consider whether the failure to send bills to customers was indicative of potential breaches of any conditions contained in British Gas Trading Limited's Gas Suppliers Licence and Electricity Supply Licence.
3. Between February 2003 and September 2003 Ofgem made enquiries of British Gas Trading Limited, exchanged correspondence and held meetings to establish the position with regard to compliance.

4. At its September meeting the Gas and Electricity Markets Authority considered the evidence collected, and discussed the matter with senior management from British Gas Trading Limited.
5. In respect of Standard Licence Condition 17 of the Gas Suppliers Licence, the Authority noted that at 31 January 2003 there remained over 40,000 gas meters which had not been read or inspected during the preceding 24 months by British Gas Trading Limited. The Authority considered evidence as to the practical difficulties of securing readings for some meters, the processes undertaken by British Gas Trading Limited to try to secure a meter reading within 24 months, and the problems of obtaining substantial numbers of warrants for this purpose.
6. The Authority also took account of British Gas Trading Limited's plans to improve further its meter reading performance. These include:
 - a trial of the earlier implementation of an internal procedure, the 'Must Read and Inspect' procedure; and
 - new meter reading contracts with stronger incentives to improve access rates.
7. In addition British Gas Trading Limited has given a commitment to undertake a comprehensive review by 31 December of all remaining meters which were outstanding at 31 January 2003 and which remain unread. British Gas Trading Limited has undertaken to seek access (using a warrant if necessary) to all relevant properties where it is practical and where any sensitivity can be accommodated and to do so by 31 December 2003, except where there are genuine and specific exceptions arising which British Gas Trading undertakes to identify and fully explain in each case.

8. The Authority concluded that as at 31 January 2003 British Gas Trading Limited had not contravened Standard Licence Condition 17 of its Gas Suppliers Licence.
9. The Authority is satisfied, and British Gas Trading Limited has accepted, that as at 31 January 2003 British Gas Trading Limited had contravened Standard Licence Condition 40 (1) of both supply licences in that it had had not sent to 3,481 domestic gas credit customers and 7,441 domestic electricity customers information about or an estimate of the amount of gas or electricity they had consumed, as required by the Standard Licence Condition.
10. British Gas Trading Limited explained the following:
- by 31st July 2003, British Gas Trading Limited had provided bills, statement or letters with the relevant information for those customers who had not been billed or provided with a statement in the preceding 12 months as at 31st January 2003, with the exception of 32 electricity credit customers where British Gas Trading Limited is awaiting reading information from other companies (British Gas Trading Limited has written to these customers);
 - it has set up dedicated call lines to deal with customer concerns;
 - it is providing discounts to customers where credit bills delayed for more than eight months have resulted in a debt of more than £350; and
 - it is applying extended payment arrangements where required by the customer.
11. The Authority is satisfied, and British Gas Trading Limited has accepted, that as at 31 January 2003 British Gas Trading Limited had contravened Standard Licence Condition 40 (5) of the Gas Suppliers licence in that it had not kept informed 3,130 domestic gas credit customers and 200,290 domestic gas prepayment customers; and that it had contravened Standard Licence Condition

40 (4) of the Electricity Supply Licence in that it had not informed 3,475 domestic electricity credit customers, and 88,808 domestic electricity prepayment customers that the Consumer Council (energywatch) can assist in resolving complaints that the licensee has been unable to resolve and how energywatch could be contacted as set out in the Standard Licence Condition.

12. British Gas Trading Limited told the Authority that:

- it has sent details of how to contact energywatch to customers who had not received these details in the preceding 12 months as at 31st January 2003. For prepayment customers, this was effected from 11th April 2003, and for all other customers by 31st July 2003;
- it will, in recognition of the particular difficulties with electricity industry processes that can hamper billing, British Gas Trading Limited will ensure all customers annually receive information regarding energywatch through a separate letter where a bill or statement has been delayed;
- it has made arrangements to include energywatch details in its Standards of Performance leaflet sent annually to customers; and that
- if any customer had contacted the company with an unresolved complaint energywatch contact details would have been provided on request.

13. The Authority is satisfied, and British Gas Trading Limited has accepted, that as at 31 January 2003 British Gas Trading Limited had contravened Standard Licence Condition 21 of the Gas Suppliers Licence in that it had failed to inform 3,481 domestic gas credit customers, 207,672 domestic gas prepayment customers and customers at 349 non domestic gas sites (there may be more than one meter at each site) of their Meter Point Reference Number (MPRN) as set out in the Standard Licence Condition; and had contravened Standard Licence Condition 21 of the Electricity Supply Licence in that it had failed to inform 6,783 domestic electricity credit customers, 193,074 domestic electricity prepayment customers and 3,102 non-domestic electricity sites (there may be

more than one meter at each site) of their Supply Number as set out in the Standard Licence Condition.

14. British Gas Trading Limited told the Authority that it :

- has provided the relevant information to the customers who had not received those details within the preceding 12 months as at 31st January 2003 (whether on a bill, a statement or by letter); and
- will, in recognition of the particular difficulties with the electricity industry processes which can hamper billing, will ensure that all consumers annually receive information regarding supply numbers, MPRN etc through a separate letter where a bill or statement has been delayed.

15. The Authority is satisfied, and British Gas Trading Limited has accepted, that as at 31 January 2003 British Gas Trading Ltd had contravened Standard Licence Condition 27 (7)(b) of the Gas Suppliers Licence in that it had failed to draw to the attention of 3,130 domestic gas credit customers the existence of the relevant codes (excepting that covering site access) and the means by which they may inspect a copy of such codes in their latest form; and that it had contravened Standard Licence Condition 27 (7)(b) of the Electricity Supply Licence, in that it failed to draw to the attention of 3,475 domestic electricity credit customers the existence of the relevant codes, except those covering site access and the means by which they may inspect a copy of the code in its latest form. Additionally, that, on the specified date, British Gas Trading Ltd had not during the preceding 12 months drawn to the attention of approximately 12,825,575 domestic gas customers and 397,275 non-domestic gas customers or 5,801,373 domestic electricity customers and 420,420 non-domestic electricity customers, its Site Access Code of Practice as set out in the Standard Licence Conditions.

16. British Gas Trading Limited told the Authority it has:

- immediately reinstated a reference to its Site Access Code of Practice on all its billing and statements processing, following its omission due to an administrative error;
- made a commitment to include reference to its Codes of Practice in its Standards of Performance leaflet sent annually to customers;
- ensured its procedures are fully compliant with the requirements of its Site Access Code of Practice; and
- confirmed that these Codes of Practice (including its Site Access Code of Practice) have been available on request at all times, to all its customers.

17. If the Authority is satisfied that a licence holder is contravening, or likely to contravene any relevant condition or requirement, section 28 (1) of the Gas Act 1986 and section 25 (1) of the Electricity Act 1989 requires the Authority, subject to subsections (2), (5) and (5A) of section 28 and section 29 of the Gas Act 1986, by an order, to make such provision as is requisite for the purpose of securing compliance with that condition or requirement.

18. The Authority has concluded that British Gas Trading Limited is now taking significant steps for the purposes of securing compliance. These include the following general steps, in addition to those detailed above:

- it has implemented a comprehensive customer service improvement programme "Customer First" to drive through robust, enduring solutions to streamline processes and improve the experiences of customers, including in relation to billing;
- it is taking a leading role within the Energy Retail Association to drive forward actions to improve the customer transfer experience for all customers. This industry wide group is engaged in finding solutions to the industry related issues that impact on customers transferring supplier, and ultimately affect the ability of British Gas Trading Limited to send bills to some of its customers;

- it is leading other industry initiatives, including actively working with other suppliers to resolve some of the prepayment data issues, particularly around electricity(for example solutions to improve misdirected payments);
- it made 122,000 customer visits to try and prevent misdirected payments for prepayment meters; and
- it has enhanced its Regulatory Compliance Programme to provide dedicated resources, independent from the operational business, to review and monitor British Gas Trading Limited 's compliance across all its gas and electricity standard licence conditions.

19. Section 30A (1) of the Gas Act 1986 and 27A (1) of the Electricity Act 1989

states that, where the Authority is satisfied that a licence holder has contravened or is contravening any relevant condition or requirement, the Authority may impose on the licence holder a penalty of such amount as is reasonable in all the circumstances of the case.

20. The Authority, having taken full account of the particular facts and

circumstances of the contraventions outlined above, and the breadth of the remedial steps being taken, concluded that it is not justified to impose a penalty in this case.