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Dear Chris,

Improving Information for Customers: An Occasional Paper

Thank you for the opportunity to comment on the above paper.

We support in principle the aim of providing customers with good quality information to enable them to make informed choices about their gas and electricity suppliers, resolve queries and use energy more efficiently. We are therefore always willing to consider ways of further improving industry best practice.

In our view, however, careful consideration must be given to ensuring, first, that there is indeed a need to change or improve existing arrangements and, second, that the benefits of any new approach adopted outweighs the costs and will deliver a marked (and sustained) improvement to customers overall. Against this background, we have commented below on Ofgem's analysis of the information available and proposed way forward.

Available Information

Under their licence, suppliers are required to provide a wide-range of information on customers' bills. In addition, there is further information that is provided simply in the interests of good customer service. Indeed, we have invested a significant amount of time and resource since the market opened to competition in improving both the quality

of information provided and the way in which it is presented on customers' bills. We do not believe that it would be appropriate to remove such information from customers' bills. A significant amount of information is therefore currently given to customers on their bills (we have listed details of the information provided on our bills to customers at Appendix 1 for your information).

In addition, all suppliers are required to publish an accurate summary of their principal terms, including charges. Detailed price information is also provided in suppliers' marketing literature (which is regulated by the Advertising Standards Authority). Furthermore, comparative pricing information across suppliers is provided by a number of companies on the internet and consumer organisations such as Which? and Energywatch for customers who prefer to use an impartial price comparison service.

Suppliers are also required to publish and comply with a Code of Practice on the Efficient Use of Electricity and Gas and are required to operate an energy efficiency telephone information service for customers. They are also subject to the provisions of the Energy Efficiency Commitment. It is therefore apparent that there is already a large volume of information available to customers on bills, pricing and energy efficiency from many different sources and in a variety of mediums.

Moreover, the clarity of this information is more than sufficient to allow customers to make informed decisions in the competitive energy market. Indeed, from Ofgem's domestic competitive market review, the majority of customers (over two-thirds) in gas and electricity find it very or fairly easy to compare energy prices. In addition, the overwhelming majority of customers in both gas and electricity rate suppliers' meter reading (80% and 79% respectively) and provision of billing information (89% and 86% respectively) as fair to excellent.

Against this background, therefore, we do not believe that Ofgem have set out a clear case for the need for improvement in the quantity or quality of information that is currently provided to customers.

Energywatch Complaints

Ofgem state that customer complaints about billing and accounts make up 56% of energywatch's complaints. We agree that this level of complaints is not acceptable but firmly believe that a "broad brush" approach is not the appropriate means of addressing poor performance in this area. We have consistently the best performance in energywatch account and billing complaints. Indeed, the latest figures for March to May 2004 show that our level of complaints is less than one fifth of the overall industry average and less than a quarter of the next-best performing supplier. While we recognise that Energywatch account and billing complaints is only one indicator of customer satisfaction with bills, it is clearly very telling that there is such a marked and sustained differential between individual supplier's performance.

Proposed Way Forward

Ofgem propose to work with Energywatch, suppliers and other interested parties to develop a voluntary billing standard that meets customers' needs, with such a standard possibly incorporating the inclusion of an annual statement.

In our view, poor performance from a number of individual suppliers should be tackled directly with those suppliers concerned rather than through wholesale industry initiatives such as a standard in billing. Indeed, we are concerned that such a standard would penalise those suppliers that have historically performed the best and result in a lower ("common denominator") level of service.

In particular, all suppliers have different billing systems with different capabilities and limitations. Any changes required to customer bills as a result of a UK-wide standard could result in some aspects of individual suppliers' bills having to be dropped or amended, due to IT constraints, costs, or indeed simply a lack of space on the bill (there is clearly a limit to the amount of information that can be presented to customers in a clear and simple manner on a bill). While such changes may improve the worst suppliers' performance, they may well reduce the effectiveness of the best performing suppliers' bills.

In addition, we note that Energywatch (and Ofgem) clearly states that it is proposing a UK-wide standard in billing, not a standard bill. However, there is a serious risk that the implementation of a BSI standard would in practice, for the reasons outlined above, achieve exactly that i.e. a standard bill across suppliers. This would clearly not be in the interests of customers or competition.

We do not therefore believe that an industry-wide standard would be the most appropriate means of addressing poor performance in this area. Rather, individual suppliers with consistently poor performance should be identified by Energywatch and required to implement an action plan for improvement over a set period of time. Such an approach would be more targeted and would deliver significant improvements in billing throughout the industry.

Finally, we are also concerned to ensure that changes to IT systems as a result of any such initiative are minimised. If this is not the case, costs to suppliers could be significant and this would clearly have a knock-on effect on the end prices charged to customers. In addition, our IT programme is already at capacity implementing regulatory measures. We would not therefore support further IT changes due to changes in regulatory policy at this time.

If you would like to discuss this further, please call.

Yours sincerely

Rob McDonald
Director of Regulation

Appendix 1: Information Provided on Customers' Bills

Under their licence, suppliers are required to provide the following information on customers' bills:

- i. the postal address and telephone number of the relevant electricity distributor's / Transco's security of supplies emergency service;
- ii. the supply number(s) relevant to each customer in a form in accordance with a direction by Ofgem;
- iii. that Energywatch can assist in resolving complaints which we have not resolved to the customer's satisfaction and how the relevant office of Energywatch can be contacted;
- iv. a detailed explanation of the basis on which the amount of gas supplied is calculated from the quantity of gas supplied and particulars of any adjustments that have been made in respect of a temperature and pressure conversion factor within the meaning of regulations in force at that time; and
- v. the quantity or amount of electricity / gas that our records show as having been consumed by that customer according to the meter through which the customer is supplied or where no meter reading is available, according to our estimate.

In addition, further information provided on bills in the interests of customer service includes the following:

- i. details of how to contact us with a query either by post or by telephone
- ii. an explanation of when we will use estimated meter readings and the contact details of our Meterline if a customer wishes to give us their meter reading;
- iii. what to do when a customer is moving house and in particular, what information they will need to provide to us;
- iv. details of how and where to pay the bill, including direct debit, by post, over the counter or by phone;
- v. an encouragement to customers that may be experiencing difficulty in paying their bills to contact us as early as possible so that we can help;
- vi. the price; and
- vii. what their total bill is and for what period of supply.

There are also additional regulations which will require still further information to be provided on or with bills, including in particular the EU's requirements with respect to energy labelling.