

## **Customer information and other issues – Report to Steering Group.**

This document provides a summary of the views of the Duty to Supply, Contracts and Information workgroup on customer information and other issues. The specific SLCs that have been reviewed are:

### **A. Customer Information**

**SLC 15 - (Security and) Safety of Supplies**

**SLC 21 – Publication of information to customers**

**SLC 25 – Efficient use of Electricity / Gas**

**SLC 30A – Fuel Mix disclosure**

**SLC 40 – Information given to domestic customers**

### **B. Other issues**

**SLC 22 – Domestic premises**

**SLC 23 – Payments received in relation to Standards of Performance**

**SLC 49 – Assignment of Outstanding Charges**

**SLC 50 – Modification of Provisions under Standard Conditions 46 and 49**

### **A. Customer Information**

#### **1. SLC 15 – [Security and]\* Safety of Supplies. (\*Electricity only)**

SLC 15 is concerned with safety in the gas and electricity markets. The electricity condition is also concerned with security of the network.

Under SLC 15(1) of the gas licence the supplier must keep customers informed that an escape or suspected escape should be reported immediately and of a telephone number to be used for that purpose.

The obligation under SLC 15(1) of the electricity supply licence differs as the supplier must keep the customer informed of the postal address and telephone number provided by the DNO for receiving reports and offering information, guidance or advice about any matter or incident that:

- causes danger or requires urgent attention (or is likely to do so) in relation to the supply and distribution of electricity
- affects (or is likely to affect) the maintenance of the security, availability and quality of service of the DNO system.

The safety risk profile of gas is higher than electricity. This is reflected in the Gas Safety (Management) Regulations 1996. These regulations require gas transporters to co-operate to have in place a single national emergency number for customers to report suspected and actual gas escapes. The regulations implicitly prevent licensees (transporters, shippers and suppliers) from publishing alternative emergency numbers but require them to record and pass on any call that they receive about suspected or actual escapes. The focus of the gas supply licence condition appears to be more directly linked to safety than other more general concerns about ongoing network security.

The manner in which electricity and gas suppliers must discharge their duties under SLC 15(1) is the same. Contract customers must be informed of the required information when they first take supply from the licensee. Where bills or statements are sent on a quarterly basis the information must be included but where no bill or statement is sent, the information must be provided on an annual basis. NB: there appears to be a gap in the drafting where a bill or statement is sent other than on a quarterly basis. The supplier is also required to publish the information in such manner as will (in their opinion) secure adequate publicity.

Under SLC 15(3) of the gas licence the supplier must inform the customer of the emergency telephone number on request. An equivalent provision does not exist for the electricity market.

SLC 15(4) of the gas supply licence and SLC 15(3) of the electricity licence also require the supplier to provide updated telephone (and address for electricity) details if they are amended prior to any change becoming effective.

It is the view of the workgroup that the principle of SLC 15 should be retained. The obligations require customers to be provided with information to allow them to contact NG to report concerns about safety in the gas market and network operators about safety and security in the electricity market. In the gas market the focus is more directly on safety due to the immediacy and higher risk profile.

Summary: The substance of the obligations relating to safety and security in SLC 15 in the gas and electricity supply licences should be **retained**. There is scope for some **redrafting**, for example in requiring gas suppliers to provide the emergency telephone numbers on all bills and statements rather than quarterly bills and statements.

## **2. SLC 21 – Publication of information to customers**

The supplier is required to provide the customer with their electricity Supply Number or gas meter point reference number (MPRN).

In addition gas suppliers are required to provide customers with the name and address of the relevant transporter. This provision appears to be already covered for electricity by SLC 15(1).

This information must be provided (in a form and in accordance with the terms of a direction issued by the Authority) with each supply bill or statement or annually where such a bill or statement is not provided.

SLC 21 sets out format requirements for the Supply Number and MPRN. It must have the number of digits specified in a direction issued by the Authority, be approved by the Authority and be used by the licensee (the electricity licence requires that it must be used in common with all electricity suppliers).

Finally, SLC 21 allows for the Authority to relieve the supplier of its obligations under this licence condition to such an extent as is set out in a direction.

It is the view of the group that the principle of SLC 21 should be retained in relation to the Supply Number and MPRN. Customers require access to these reference numbers to help identify their metering point. This will assist in problem resolution and in facilitating the change of supplier process.

As part of the DN sales a direction<sup>1</sup> was issued which relieved gas suppliers of the obligation to provide customers with the name and address of the DN. In particular there were practical difficulties for suppliers in identifying the DN from the MPRN. Suppliers were however required to provide a specific telephone enquiry service for customers who wanted to obtain this information. They were also required to notify customers of the telephone number on bills and statements or annually where bills and statements are not received. The requirement to provide the name and address of an IGT was however retained. It is possible to identify the particular IGT from the MPRN as they each operate within given ranges of these numbers. The group considered that there was not a clearly identifiable need for suppliers to provide the name and address of the transporter with bills or statements. However, suppliers should be obliged to provide this information to customers on request.

Summary: The main substance of SLC 21 should be **retained** in the gas and electricity supply licences. However, the obligation on gas suppliers to provide customers with information on the name and address of their gas transporter should be **revised** to an obligation to provide this information on request.

### 3. SLC 25 – Efficient use of Electricity / Gas

This condition is identical in the gas and electricity supply licences. Under SLC 25(1) a supplier must submit a code of practice for approval by the Authority. The code must set out how the licensee will make guidance available to customers on the efficient use of electricity (in each case given or prepared by a suitably qualified person) to, in the opinion of the supplier, enable customers to make informed judgements on measures to improve efficiency of the use of gas/electricity supplied.

SLC 25(2) requires that the code of practice includes:

- preparation and making available (free of charge to any requesting customer) a statement (in a form approved by the Authority) setting out information and advice for the guidance of customers in the efficient use of gas/electricity supplied,
- arrangements for maintaining sources from which the customer can obtain further information about efficient use of gas/electricity (including maintaining a telephone information service), and
- preparation of and making available (free of charge to any requesting customer) a statement or statements of sources (to the extent that the licensee is aware of the them) outside the licensee's organisation from which customers may obtain information or assistance about measures to improve the efficiency with which they use gas/electricity. Such statement(s) must include basic information which is publicly available information on financial assistance towards cost of such measures available from central or local

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<sup>1</sup> [http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/11368\\_13105.pdf](http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/11368_13105.pdf)

government or through bodies in receipt of financial support from Government in connection with energy efficiency.

SLC 25(3) requires that, where the Authority (which may have regard to the need for economy, efficiency and effectiveness) gives direction, the supplier must review and revise the code of practice, take steps to bring information on efficient use of gas and electricity to customers supplied by them and send to each customer a copy of energy efficiency information published by the Authority pursuant to section 48 of the Electricity Act and section 35 of the Gas Act (relates to publication of information and advice to customers).

Finally, SLC 25(4) requires that the code of practice is subject to SLC 27 (Preparation, Review of and Compliance with Customer Service Codes). It is also subject to the requirements of the SLC 26 (Record of and Report on Performance).

In carrying out its functions, Ofgem has to have regard to the promotion of the efficient use of gas and electricity. The provision of advice supports suppliers in delivering their EEC programmes. Advice is also helpful to customers in debt, and contributes to wider Government environmental and fuel poverty objectives. With the rapid increases in energy prices, obtaining energy efficiency advice is seen by many stakeholders as a sensible step for customers seeking to save money on their bills to take. Some suppliers have gone beyond the minimum licence requirements, using services such as personalised energy audits as customer retention/ attraction tools. Four of the major suppliers are participating in a domestic energy efficiency code of practice developed by the Energy Saving Trust, which is designed to promote minimum standards across all advice providers, e.g. local authorities, installers, etc.

The group agreed with Ofgem's view that the principle of SLC 25 should continue for domestic customers, to ensure that suppliers comply with some minimum good practice standards set out in the licence. However, it was not considered necessary, as now, for Ofgem to approve suppliers' material, although some general guidance as to content may be useful. The Vulnerable Customers Working Group is currently considering a range of options for reducing the administrative burden placed on suppliers by codes of practice. In line with this, there is also the opportunity to simplify the current licence requirement for a code of practice on energy efficiency advice.

The group considers that an obligation to provide advice to industrial and commercial customers should not be set out in the gas and electricity licences. These customers should already have a commercial incentive to obtain advice. To a much greater extent than domestic customers, the advice they need has to be individually tailored and is thus more costly to provide. There is a role for the Carbon Trust, which is arguably more focussed on the environmental agenda driving much of the activity in the non-domestic sector.

Summary: The requirements to provide energy efficiency advice set out in SLC 25 should be **retained** for domestic customers only and **removed** for non-domestic customers. The nature of these requirements should be considered for simplification and **revision** in line with the work of the Vulnerable Customer workgroup on codes of practice.

#### 4. SLC 30A – Fuel Mix disclosure

This condition is only in effect in the electricity supply licence and was inserted through regulations under the European Communities Act by the DTI in order for the UK to comply with the fuel mix disclosure provisions of IMED (Directive 2003/54/EC).

Broadly, the condition requires the licensee to tell each customer the contribution of each energy source to the total amount of electricity supplied and the environmental impact per kWh of the electricity supplied.

The group agreed that, given the circumstances of the introduction of this condition, it should be retained although there may be some scope for redrafting. In particular, the format of the condition did not follow the convention of other standard licence conditions. If the condition is to be redrafted it would still need to meet the objective of the IMED.

Summary: The substance of SLC 30A, setting out the requirements to inform customers of the energy source of electricity and its environmental impact should be **retained** subject to redrafting.

#### 5. SLC 40 – Information given to domestic customers

SLC 40 has two main components. The first relates to the provision to customers of consumption and meter read data. The second relates to the provision to customers of information about energywatch. These are dealt with in turn below:

##### Consumption and meter read information

SLC 40 is in effect in both the gas and electricity licences although there are some differences in the obligations contained within each condition.

SLC 40(1) requires suppliers to keep domestic customers informed of the amount (or quantity in gas) of energy registered by a meter, or where no meter read is available, estimated as having been supplied to the customer. Note, there are further differences in the drafting here between gas and electricity. SLC 40(1) of the electricity licence requires consumption to be calculated with reference to the last time the customer was informed. There is no reference to the period for which consumption should be calculated in the gas licence. Further, the electricity licence requires the supplier to use a meter read where available. There is no such requirement in the gas market.

SLC 40(2) requires that this information is provided on or with each bill/statement or annually where the customer does not receive such a bill/statement.

SLC 40(3) requires gas and electricity suppliers to inform domestic customers of the most recent meter read if requested.

SLC 40(4) of the gas licence sets out a requirement for suppliers to inform customers in writing of how the amount of gas is calculated from the quantity of gas supplied and how temperature and correction adjustments are made.

The group noted that the provision of consumption data and on request the last meter reading to customers does not meet their requirements for billing purposes. ERA suppliers are making progress towards putting in place billing codes of practice and are also developing an ombudsman (the Alternative Dispute Resolution (ADR) scheme). These measures are seeking to set minimum standards for billing services and provide suppliers with an incentive to meet consumers' billing requirements. This is a good example of self regulation and, in following 'better regulation' principles, Ofgem does not consider it necessary to include these billing arrangements in the licence at this stage. However, Ofgem will monitor suppliers' progress and will introduce licence conditions if suppliers do not deliver in these key areas by July 2006

Energywatch is concerned by this, and considers that the licence condition should be retained, or at the very least made subject to a sunset clause, until the codes of practice and ADR schemes are up and running, and the performance of all suppliers can be demonstrated and thoroughly evaluated.

Customers may also be required to be provided with information on consumption for energy efficiency purposes in line with the requirements of the Energy Services Directive. The group notes that this issue is being taken forward separately to the SLR.

Summary: The group considers that the current obligations in SLC 40 on consumption and provision of the last meter read do not meet the needs of customers for accurate and timely bills. Accordingly, it is recommended that these obligations are **removed**. Licence obligations on the ADR and back-billing will be considered by Ofgem if these measures are not delivered to a satisfactory standard by suppliers.

#### energywatch

SLC 40(4) of the electricity supply licence and SLC 40(5) of the gas supply licence require the licensee to provide the following information on or with each bill/statement and annually to each customer that does not receive a bill/statement:

- that energywatch can provide assistance on resolving complaints not resolved by the licensee to the customer's satisfaction, and
- how energywatch can be contacted.

The group considers that this information is required by customers when they have an enquiry or unresolved complaint. Provision of this information with customer bills and statements, or annually, is an appropriate and efficient information distribution mechanism.

Summary: The provisions set out in SLC 40(4) and (5) of the gas and electricity supply licences should be **retained** and suppliers should provide customers with information on the role and contact details of energywatch.

## **B. Other issues**

### **6. SLC 22 – Domestic premises**

SLC 22(1) and (2) of the gas licence and SLC 22(1) of the electricity licence set out transitory arrangements for defining domestic and non-domestic customers for the purpose of the licence following changes associated with the definition of those terms under the Utility Act 2000. These obligations have expired as of 31 March 2003 and can be safely removed from the licence.

Summary: SLC 22(1) and (2) in the gas supply licence and SLC 22(1) of the electricity supply licence should be **removed** as the provisions are time bound and have expired.

SLC 22(3) of the gas supply licence and SLC 22(2) of the electricity supply licence require that premises that were "domestic" at the time the customer entered into a contract or was subject to a deemed contract will, regardless of any changes to the nature of the consumption, remain as domestic premises for the purposes of the licence until either the contract expires or is terminated or the deemed contract is replaced by a contract. SLC 22(4) of the gas supply licence and SLC 22(3) of the electricity supply licence provide equivalent provisions for the definition of "non-domestic" under the licence.

Both of the instances noted above provide security for suppliers that, where a customer who was consuming energy for non-domestic purposes changes this to domestic purposes (and vice versa) they will not be in breach of their licence if they continue to supply under the terms of their existing arrangements with the customer. The group agreed that these provisions were required. Whilst suppliers should make efforts to ensure that they supply customers in the manner envisaged by the licence, the current principles set out in the licence provided protection, in particular for suppliers who do not hold an domestic supply licence, when any change in circumstance is notified to them. The group considered that this obligation should be considered for redrafting, in particular to include it in the definitions of domestic and non-domestic customers.

Summary: SLC 22(3) and (4) of the gas supply licence and SLC 22(2) and (3) of the electricity supply licence which allow the domestic and non-domestic status of the customer to remain for the purpose of the licence regardless of a change in the use of consumption should be **retained**. There is potential scope for **redrafted** to include these principles in the definitions of terms in the licence.

The group agreed that SLC 22(5) and (6) of the gas supply licence and SLC 22(4) and (5) of the electricity supply licence should be retained. These paragraphs provide that domestic sites that are part of multi-site contracts can be treated as non-domestic premises for the purpose of the licence. There are certain restrictions on the instances where this occurs to ensure that ordinary domestic customers are still sufficiently protected. The reclassification of domestic premises which are part of multi-site contracts is only permitted where the premises are all owned by the same organisation and the domestic premises are owned for purposes ancillary to those of the non-domestic premises. Without this provision, suppliers who are only licensed to supply non-domestic premises may be excluded from tendering for some multi-site contracts. The group further considered that it may be possible to redraft this policy as a revised definition of domestic, non-domestic and multi-site contract in SLC 1.

Summary: The substance of SLC 22(5) and (6) of the gas supply licence and SLC 22(4) and (5) of the electricity supply licence which allow multi-site contracts to treat domestic premises as non-domestic in certain circumstances should be **retained** to facilitate competition in this area although the possibility of **redrafting** to include it as a definitional issue should be considered.

SLC 22(6) of the electricity licence provides that the clarification on the definition of domestic and non-domestic provisions set out in the rest of SLC22 does not apply for the purposes of SLC 26, 35, 36, 37, 38 and 49. Equivalent provisions do not appear to be in place for the gas market.

The implication of SLC 22(6) is that where consumption use changes from non-domestic to domestic, or there is a domestic premises included in a multi-site contract, the supplier will not need to comply with all of the relevant parts of section C of the licence but would have to comply with that part of section C which is specifically aimed at protecting vulnerable customers. However, this provision does not appear to work well as not all non-domestic suppliers will have section C enabled in their licence. Also, for change of use customers it would seem more appropriate for suppliers to put in place new domestic or non-domestic contracts when the revised circumstances have been brought to their attention.

Summary: SLC 22(6) of the electricity supply licence should be **removed**. Domestic customers should be treated as domestic for the purpose of the licence unless they form part of multi-site contracts. In these instances, section C obligations and in particular the vulnerable customer obligations would not be applicable.

## 7. SLC 23 – Payments received in relation to Standards of Performance

This provision is identical in the standard conditions of both the gas and electricity supply licences. It requires that any payment received from the distribution company (or shipper in gas) shall be paid as soon as reasonably practicable after receipt to the relevant customer. The group agreed that this provision should be retained in principle to ensure that all suppliers passed on payments to customers within a reasonable timescale. An alternative mechanism for delivery in the electricity industry was agreed under the forthcoming DCUSA. Suppliers would be required under their licences to sign and comply with the new DCUSA. There was not an equivalent in the gas market across all suppliers.

Summary: The provisions set out in SLC 23 of the gas and electricity supply licence should be **retained** in the gas licence but removed from the electricity licence when it is evident that they will be adequately replicated in the new common DCUSA. In both the gas and electricity industries suppliers should be required to pass on to customers any standards of performance payments received from distributors (or shippers in gas) in a reasonable timeframe.

## 8. SLC 49 – Assignment of Outstanding Charges

This SLC provides for a debt to be assigned to the new supplier if a domestic customer has failed to pay a final bill or a bill received following notification to the old supplier that the customer is intending to transfer. This condition therefore covers the assignment of debt where a supplier may currently not have been in a position to object to the customer's transfer due to the timing of the bill (not outstanding for more than 28 days). It differs from the provisions more recently introduced to allow PPM customers in debt to transfer. This later proposal allows customers to transfer who would otherwise have been objected on grounds of debt.

The drafting of SLC 49 in the gas and electricity supply licences is different although the intent is the same. The electricity licence is significantly more user friendly and is reviewed below.

SLC 49(1) provides that this condition only has effect where:

- a supplier has taken over supply from the previous supplier,
- the customer has failed to pay charges due to the first supplier within 28 days of a written demand,
- the failure to pay only occurred after the previous supplier was informed of the change of supplier or that change took place
- the first supplier has given written notice that they propose to assign the debt to the new supplier and the new supplier can make charges to recover their debt recovery costs, and
- the new supplier has received a notice from the previous supplier.

The notice to the new supplier from the previous supplier referred to above must:

- be given at least 14 days after the notice to the customer and within 90 days of the supply start date,
- specify the amount of the debt,
- state that the previous supplier has used all reasonable endeavours to recover the debt (which remains unpaid for at least 42 days after the written demand), and
- state the intent of the previous supplier to assign the debt up to a maximum of one third of that customer's average annual consumption. Charges also calculated on the basis previous supplier's charges immediately prior to their transfer.

Where the new supplier receives such a notice, SLC 49(3) requires that within 60 days they pay the old supplier the value of the debt less, where they cannot be reclaimed from the customer, its reasonable costs in recovering that debt.

SLC 49(4) states that the customer will not be considered to be in debt if that debt is genuinely in dispute.

The group notes that, whilst some attempts have been made to employ this condition at market start-up, it is not now used. It is proposed that this SLC is removed and that suppliers who wish to use equivalent arrangements consider bi-lateral agreements.

Summary: The provisions for assignment of outstanding charges under SLC 49 should be **removed** from the gas and electricity supply licences.

## 9. SLC 50 – Modification of Provisions under Standard Conditions 46 and 49

The drafting of SLC 50 is also different between the standard conditions of the gas and electricity licences although the intent is broadly the same. As with SLC 49 the drafting in the electricity licence is significantly easier to follow and is reviewed below.

SLC 50(2) allows for the Authority to direct that SLC 49 (Assignment of Outstanding Charges) ceases to have effect. As noted above, the group is considering whether SLC 49 should be removed. This would also therefore impact the related provisions of SLC 50. The test for disapplication in SLC 49(4) is whether the provisions do not significantly reduce the number of un-recovered debts otherwise to be expected or do not involve expenditure in debt recovery which is less than the reduction in the value or un-recovered debts which it achieves.

In the electricity licence there is also provision for the Authority to direct that paragraph 4 of SLC 46 (Termination of Contracts on Notice) ceases to have effect. This part of the licence relates to the circumstances when a domestic customer can terminate their contract. The requirement of SLC 46(4) is that a termination notice is not valid where charges for electricity supplied to the customer (including those from previously owned/occupied premises) having been demanded in writing prior to termination notice being given, remain owing for more than 28 days. Where a customer had submitted a contract termination notice in conjunction with a proposed transfer the supplier would be entitled to reject it where they objected for debt and prevent the customer from moving onto a deemed contract. The group considered that it was not clear why the Authority should have the power to direct that paragraph 4 of SLC 46 in particular ceases to have effect. Any change to this should be conducted through the collective licence modification process.

Summary: The provisions of SLC 50 should be **removed** from the gas and electricity supply licence.

Note: a proposal by the group to retain an SLC does not prevent that condition from being considered for different (and better) drafting treatment under the SLR process.