



To: Lawrence Slade, Energy  
Retail Association; Gareth Evans,  
ICOSS

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*Promoting choice and value for  
all gas and electricity customers*

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Dear Lawrence and Gareth

**Ofgem's view on progress on the development of a self-regulatory approach to address non-domestic back-billing**

I am writing following our meeting on 31 October when you reported back on progress made by the industry, in consultation with consumer groups, on the development of a self-regulatory approach to address the issue of back-billing in the non-domestic market.

**Overall approach**

Ofgem welcomes the constructive approach taken by the ERA, ICOSS and consumer groups in seeking an effective 'self-regulatory' solution and sees this as a potentially useful way to address certain issues which may arise in this part of the market in the future. We see the development of minimum 'draft Standards' as significant progress in that they provide a platform for the industry to demonstrate improved customer service and fair treatment of their non-domestic customers.

We note that the draft Standards have been developed to apply to micro-business customers, but consider that the principles should be applied to non-domestic customers more broadly.

**Draft Standards**

Overall, we consider draft Standards 1 to 3 set a good basis for improvements in customer service in the event of back-billing. We also welcome commitments to provide clear advice and information to consumers on steps which can be taken to minimise the risk of a back-bill.

We have specific additional comments on the draft Standards where we consider there is scope for stronger commitment from suppliers, these are set out in the appendix to this letter.

**The time limit on backbilling**

Standard 4 states that, "*where a micro-business customer has taken all reasonable steps to avoid a back-bill, suppliers will commit to limit any back-bill to three years for electricity bills and for a period related to settlement in relation to gas.*"

We have heard from some suppliers that the adverse financial impact on them would be lessened if the back billing time period were linked to settlement (or in the case of electricity beyond the current settlement). Additionally, we have noted the impact of the proposed gas Unified Network Code change on time limits with the potential for moving these to 3 years.

Consumer groups voice the view that the proposal covers micro-businesses where the supplier is clearly at fault, and therefore a one year limit should be applied.

We note the arguments put forward and we welcome the developing industry standards as a first step, but we consider that where there is clear supplier fault the aspiration should be that any back-bill should be limited to one year. We welcome in the meantime any moves by suppliers towards this shorter time period.

Further analysis is needed to understand the potential impact of such a time limit and we intend to undertake this, beginning with an information request to suppliers which will be made in due course.

### **Reporting**

We welcome the clear commitment to a formal review by signatories, taking account of relevant data from the Ombudsman and other stakeholders as this will help demonstrate the impact of the draft Standards. We look forward to seeing further details on the development of this reporting mechanism.

Additionally, in the interests of transparency, we ask that suppliers move now to publish, on a voluntary basis on their websites, details of non-domestic back-billing cases they have handled. This could include the number of back-bills issued over the previous year, the time limits associated for each of these and the overall cost of each bill to the customer. We would expect these details to be published in a suitably prominent position and in a manner accessible to consumers.

### **Timing and implementation**

We note and welcome supplier's plans to implement the first three standards from the beginning of January 2012.

We will give further consideration to the issue of time limitation following our request for information and in the meantime welcome any moves by individual suppliers to shorten time periods in advance of any industry-wide changes.

Yours sincerely

Sarah Harrison  
Senior Partner, Sustainable Development

## **Appendix**

Comments on the draft 'Standards' 1 – 3.

### *Standard 1 – Customer and supplier responsibilities in relation to bills*

The text covering 'suppliers' guidance' needs show more clearly that suppliers have clear *responsibilities*, to balance the approach indicated in relation to customers' responsibilities. It also needs to show more clearly that suppliers will help customers in meeting their responsibilities, through the provision of clear information.

### *Standard 2 – To publicise, through usual communication channels and a targeted communications campaign, the agreed supplier and customer responsibilities.*

We would expect suppliers to go well beyond 'usual communication channels' in publicising this information to consumers, to include a range of appropriately tailored communication.

### *Standard 3 – To take account of all relevant circumstances when dealing with a back-bill.*

We consider that a further example of good practice linked to consideration of ability to pay would be to make the time period for customers to pay equal to that of the time period of the back-bill.