

Please familiarise yourself with the relevant Smarter Markets Consumer Empowerment & Protection documents:

[Consultation document](#)

(see p.24 for work area rationale)

[Consultation response & decision document](#)

(see p.24 for workplan & approach)

Note: the following slides are for discussion purposes only

Smarter Markets - Consumer Empowerment and Protection

Smart billing stakeholder meeting - Domestic

10 November 2014

ofgem

Welcome, introductions & objectives

Context

Workstream 1 – Expectations and Requirements

Workstream 2 – Delivery models

Wrap-up and next steps

- ‘Kick-off’ stakeholder engagement for the smart billing work
- Set context and explain approach
- Flag our initial questions and assumptions
- Start discussions and get your initial views

Welcome, introductions & objectives

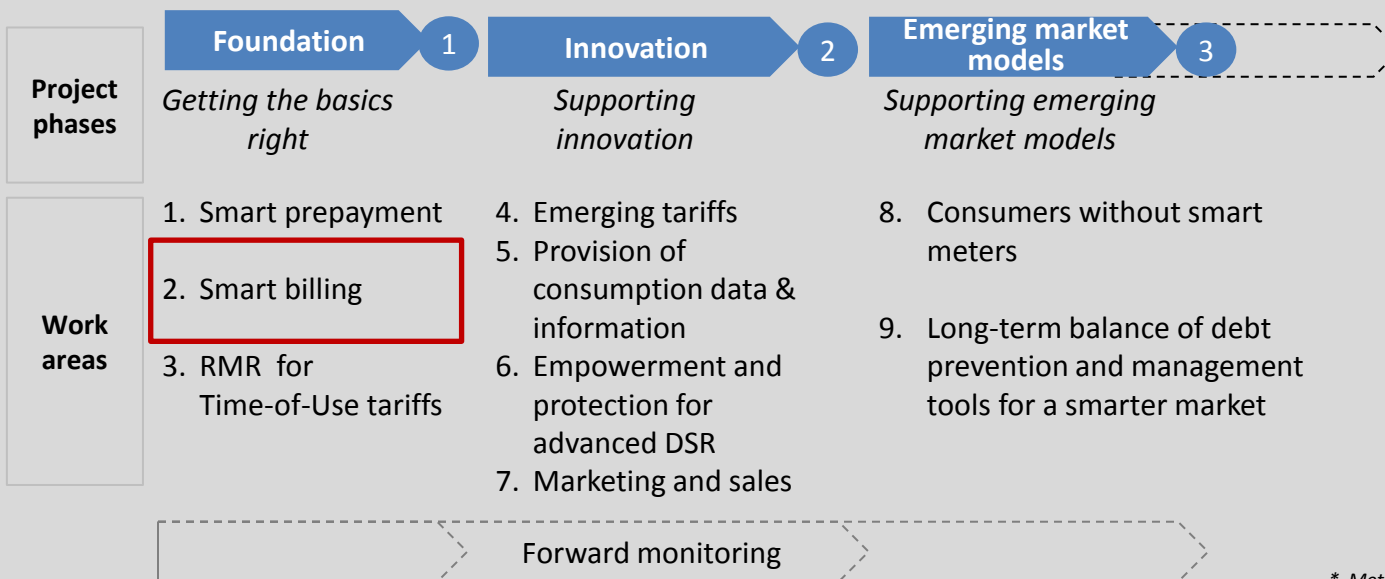
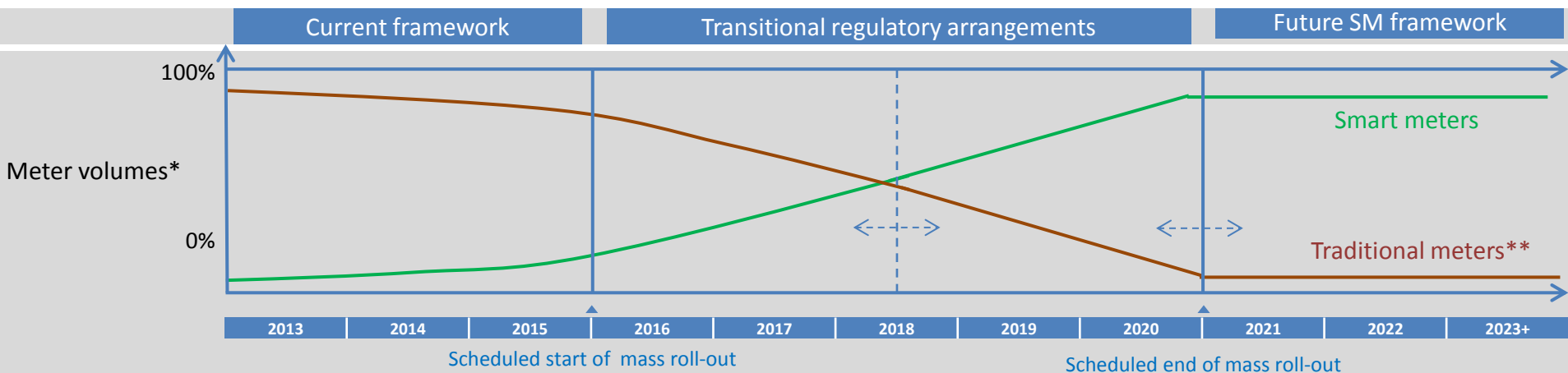
Context

Workstream 1 – Expectations and Requirements

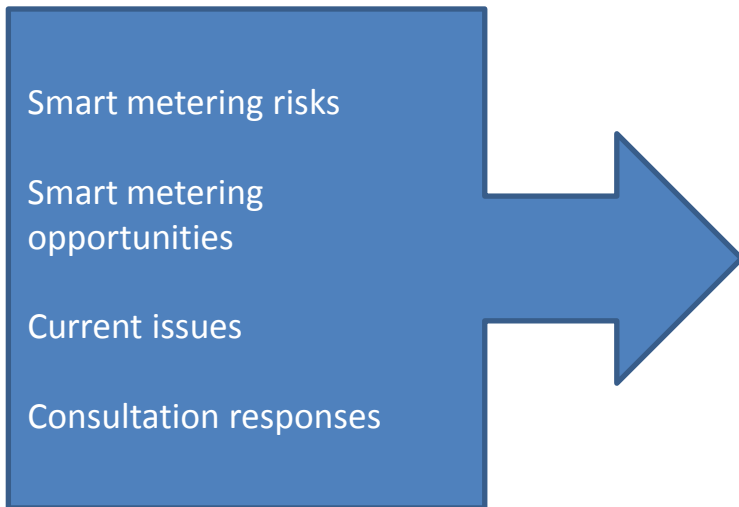
Workstream 2 – Delivery models

Wrap-up and next steps

Consumer Empowerment & Protection work programme



* Meter volumes are illustrative
 ** Not necessarily current traditional meters



Smart billing -- high level objectives

1. No reliance on estimated meter readings
2. No back-bills where the consumer is not at fault
3. Timely and accurate opening bills, final bills and rebates
4. Accurate bills supported by convenient and effective billing frequency and payment method arrangements
5. Appropriate direct debit calculations based on accurate consumption data

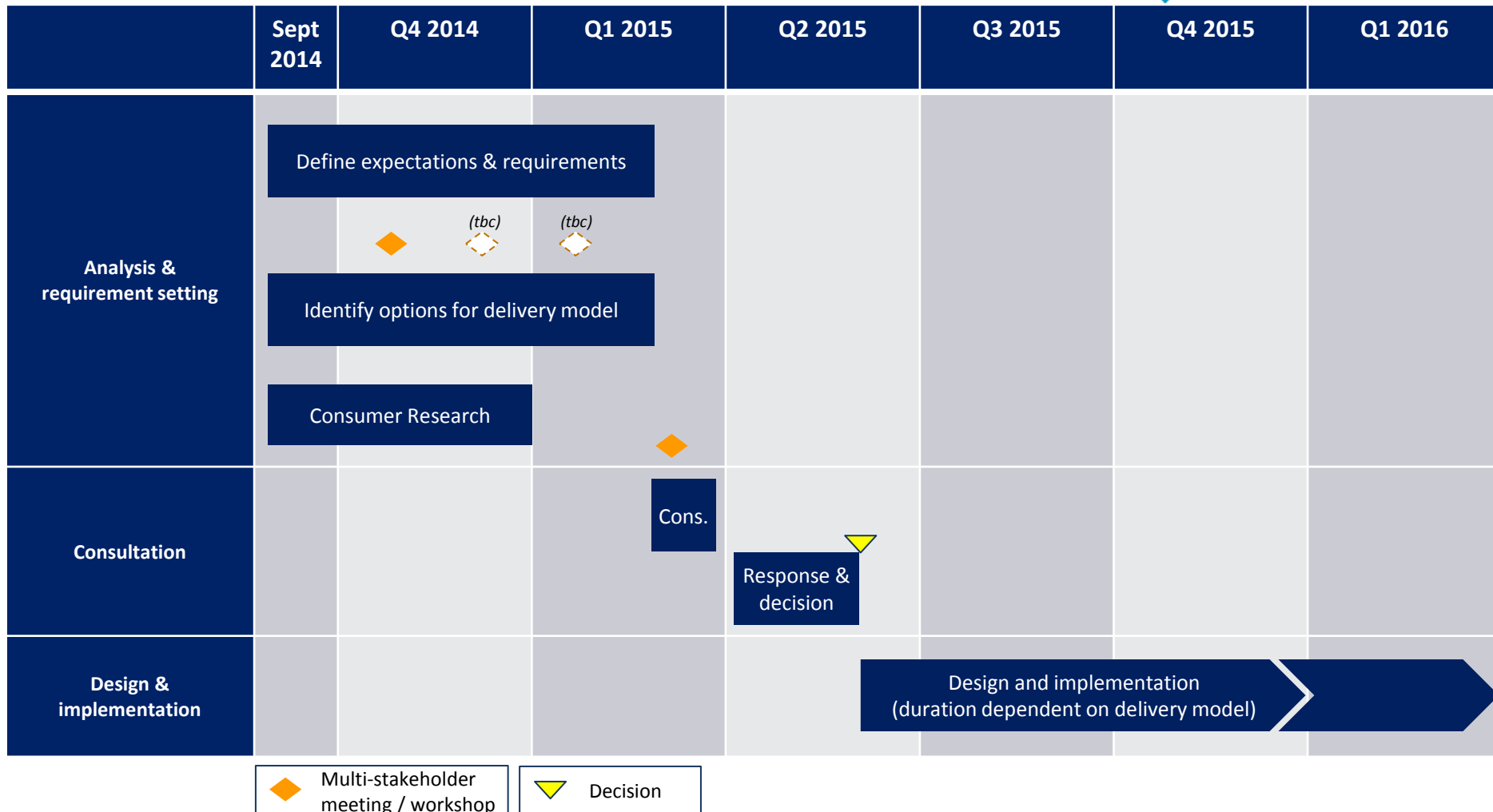
“Smart meters will give consumers an end to estimated billing – people will only be billed for the energy they actually use, helping them to budget better .” (DECC Smart Metering homepage)

“The Smart Meters [...] will bring the digital revolution to the energy system. Bringing an end to estimated billing and the frustrations that come with that.” (Secretary of State, July 2014)

“In bringing an end to estimated billing, consumers with smart meters will receive accurate bills, one of the biggest causes for complaints energy suppliers are inaccurate bills.” (Baroness Verma, October 2013)

“Once a smart meter is there, and you can get to your meter reads without needing to get entry to the property, which is what the challenge is at the moment, then there should be no reason for people to be able to back-bill. There is no excuse. It is for Ofgem to regulate on that specifically.” (DECC, 2013, evidence to ECCC)

- *Smart billing objectives are ‘laudable in principle’, but need to recognise the practical difficulties in achieving these.*
- *Code of Practice does not as yet ‘reflect the higher standards of service that should become the norm’. A new Licence Condition to end back-billing for microbusinesses and domestic consumers should be introduced immediately.*
- *Don’t stifle innovation and competitive differentiation.*



- We will be ambitious and keep front of mind that consumers are footing the bill for smart meters. We want the opportunities realised and the expectations met.
- We will try to remain outcome-focused, not to lose sight of the wood for the trees
- We will keep things as simple as possible... and only as complex as they need to be
- We will start by keeping the work on the expectations and requirements separate from the work on the delivery models
- We will try to make the expectations and requirements work for SMETS and advanced meters
- We will try and make the expectations and requirements work for all SMETS meters (capable and compliant)

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Placeholder slide

No reliance on estimated meter readings

Context & key points

- Opportunities are great and expectations are high
- Driver of complaints
- Important topic to consumers
- Some level of estimates is unavoidable, especially in the short run
- Supplier performance will not start at 100%
- Installations at volume could cause a drop in performance

Initial questions and assumptions to test

Questions:

- **Why not? What stands in the way of achieving this objective?**
- Is there a case for a phased approach, eg post installation vs. BAU?
- Views on what more specific expectations and requirements could look like?
- Do we need to define 'estimation' at this stage in the light of Time-of-Use?
- Do we need separate expectations and requirements for Time-of-Use vs. single rate tariffs?

Assumptions:

- Our expectations and requirements of suppliers will be independent of DCC performance

What could more specific expectations and requirements look like?

- Clearly communicate to consumers if bill is estimated. Explain why and which actions will be taken to remedy, and when.
- Take steps to obtain an accurate read, incl. repeat pings, customer read or manual read before estimating
- Redress in the case of (repeat) estimates
- Incremental targets of accuracy
- ...

No back-bills where the consumer is not at fault

Context & key points

- Opportunities are great and expectations are high
- Driver of complaints
- Important topic to consumers
- Meter exchanges can uncover read and billing issues. Our focus is from the point of smart meter installation onwards. However, consumers may not be able to separate the two.
- Definition of backbills in the Code: “5.1 If your supplier is at fault, they will not seek additional payment for unbilled energy accrued more than one year prior to the bill being issued”

Initial questions and assumptions to test

Questions:

- **Why not? What stands in the way of achieving this objective?**
- Is there a case for a phased approach, eg post install vs. BAU?
- Views on what more specific expectations and requirements could look like?
- How can it be prevented or mitigated that consumers associate ‘traditional’ backbills with a smart meter?

Assumptions:

- The definitions are complex, but we can avoid (re-)defining back-bills. We may need to define ‘at fault’ or describe smart-specific scenarios, but focus is on the outcome
- Our expectations and requirements of suppliers will be independent of DCC performance

What could more specific expectations and requirements look like?

- No backbills for smart BAU (starting x months after installation)
- Backbill of 1 billing cycle up to x months max.
- Backbill cap in terms of % against baseline
- Flexibility in backbill repayment arrangements
- ...

Timely and accurate opening bills, final bills and rebates

Context & key points

- Consumers are concerned about closing and opening bills coinciding
- Closed account credit balances work led to 10 Commitments, incl. refund within 10 days on actual read
- Next version of EUK Billing Code will include/reflect this commitment
- EUK are leading work on standardised use of registers

Initial questions and assumptions to test

Questions:

- **How ambitious can we be on timeliness of closing bills? Work backwards from issuing the bill almost immediately upon receipt of the read?**
- Is there a case for a phased approach, eg post installation vs. BAU?
- Views on what more specific expectations and requirements could look like?
- Is work needed to underpin or complement the smart Change of Supplier meter reading reforms?
- Is work needed on opening/closing read explanations?

Assumptions:

- Timeliness should focus mainly on the closing bill, as opening bill generally coincides with billing cycle

What could more specific expectations and requirements look like?

- 10 day refunds as per Credit Balances commitment
- Improvement on the 6 weeks for final bills currently set in LCs
- Link with ongoing meter reading reforms
- ...

Accurate bills supported by convenient and effective billing frequency and payment method arrangements

Appropriate direct debit calculations based on accurate consumption data

Context & key points

- Objectives driven primarily by the opportunities offered by smart meters.
- Smart meters offer opportunities for differentiated products
- Recent commitments from some suppliers to improve refund policies in case of DD overestimates
- Recent commitments from some suppliers to improve refunds of closed account credit balances

Initial questions and assumptions to test

- Is there a need to set out specific expectations or requirements?

What could more specific expectations and requirements look like?

- TBD

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Criterion	Description	Delivery Model*				
		Standards of Conduct	Voluntary code of practice (CoP)	Voluntary CoP underpinned by Licence Conditions	Outcomes in Licence Conditions	Prescriptive Licence Conditions
Coverage	The extent to which the delivery model covers all suppliers and – by extension – their customers					
Monitoring	The ease with which the arrangements can be effectively monitored					
Enforceability	The extent to which non-compliance can be enforced					
Cost and burden	Cost and burden of implementing and maintaining the model					
Flexibility	The ease with which changes can be made if required					
Precedence	The application and effectiveness of current arrangements					
Suitability (of model vs. specific objectives)	The extent to which the delivery model is suited to specific objectives. Incl.: - Materiality to all consumers - Alignment of stakeholder incentives - Coverage of specific objectives					

- * Models are not necessarily mutually exclusive:
- Standards of Conduct always apply (across all models)
 - Different delivery models could be applied for different objectives

- 1. Your views on the assessment framework**
- 2. Initial thoughts on the current arrangements ('precedence' criterion)**

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- Voluntary arrangements: EUK Code of Practice for Accurate Bills (with backbilling scenarios). 5 suppliers support the independently-audited Code of Practice and are committed to the Code as a minimum standard of service for customers. Includes commitment to limit backbilling to 1 year if the supplier is at fault
- Licence Conditions* in place:
 - Inspection of Electricity Meters**
 - 12.14: inspection of non-half hourly meter at least once/2years
 - 12.16: an inspection under 12.14 must include taking a meter reading
 - Billing based on meter readings**
 - 21B.1: all reasonable steps to reflect customer-provided meter reading in the next Bill or statement of account
 - 21B.2: all reasonable steps to contact the customer to obtain a new meter reading if customer-provided reading not consider accurate
 - 21B.4: (from EED - to take effect from 31 December 2014) all reasonable steps to obtain a meter reading (including any meter reading transmitted electronically from a meter to the licensee or provided by the Customer and accepted by the licensee) for each of its Customers at least once/year.
 - Provision of final bill (Domestic only)**
 - 27.17: all reasonable steps to send a final Bill or statement of account within 6 weeks of the supplier transfer or termination of the contract
 - 27.18: where subsequent information becomes available to correct an error, send a corrected Bill or statement of account as soon as reasonably practicable

Standards of Conduct

* From electricity supply licence; similar in gas LC