

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 – Micro-business

11 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 initial questions and assumptions
- Start discussions and get your initial views

Welcome, introductions & objectives

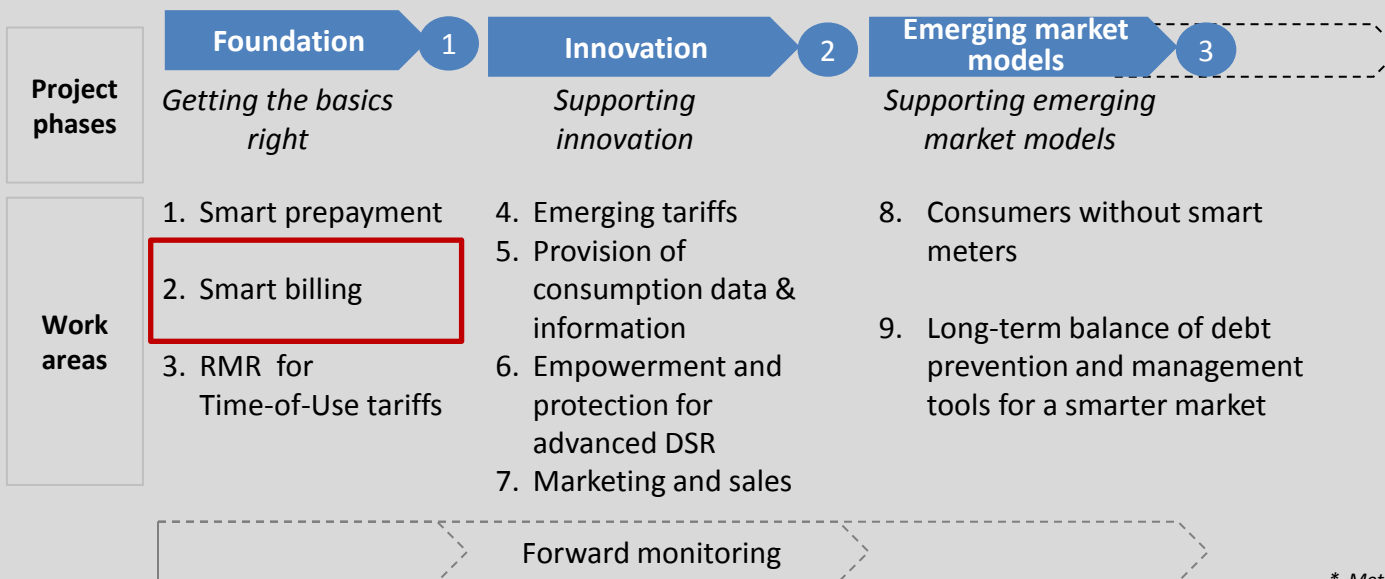
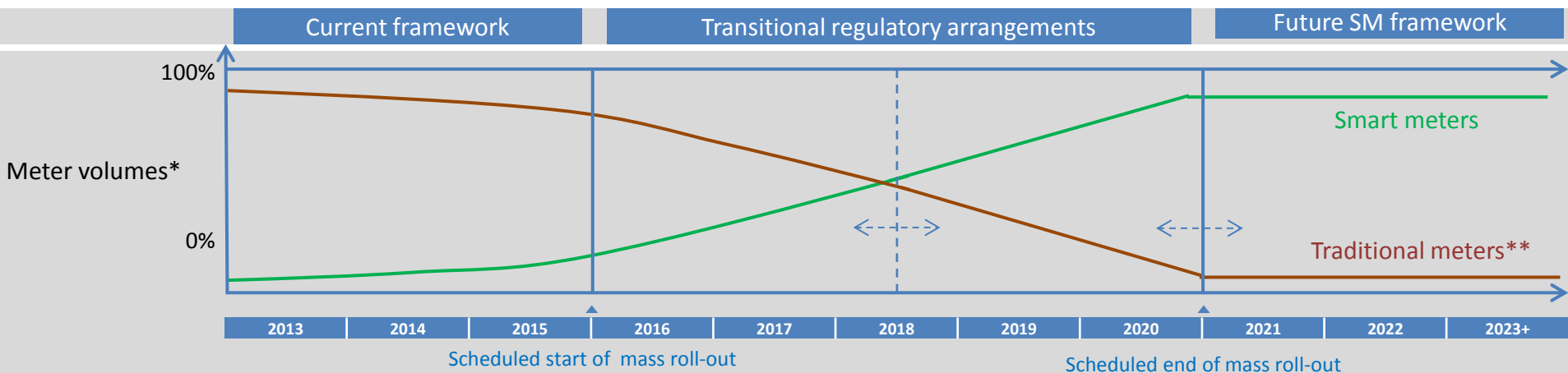
Context

Workstream 1 – Expectations and Requirements

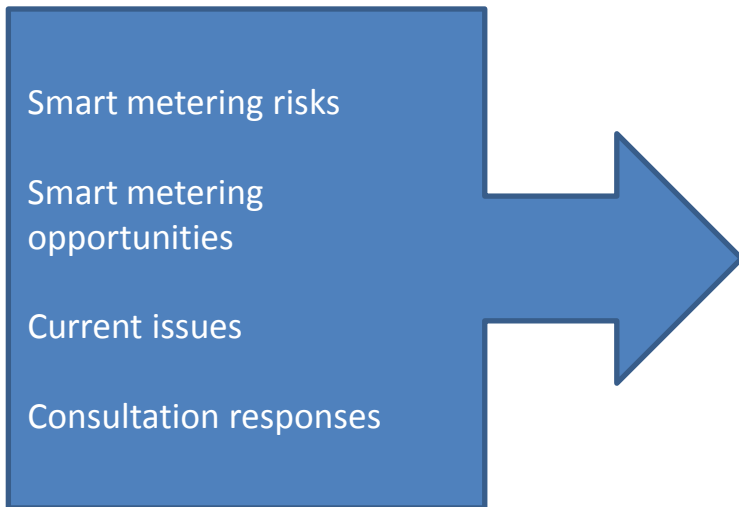
Workstream 2 – Delivery models

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

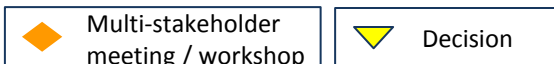
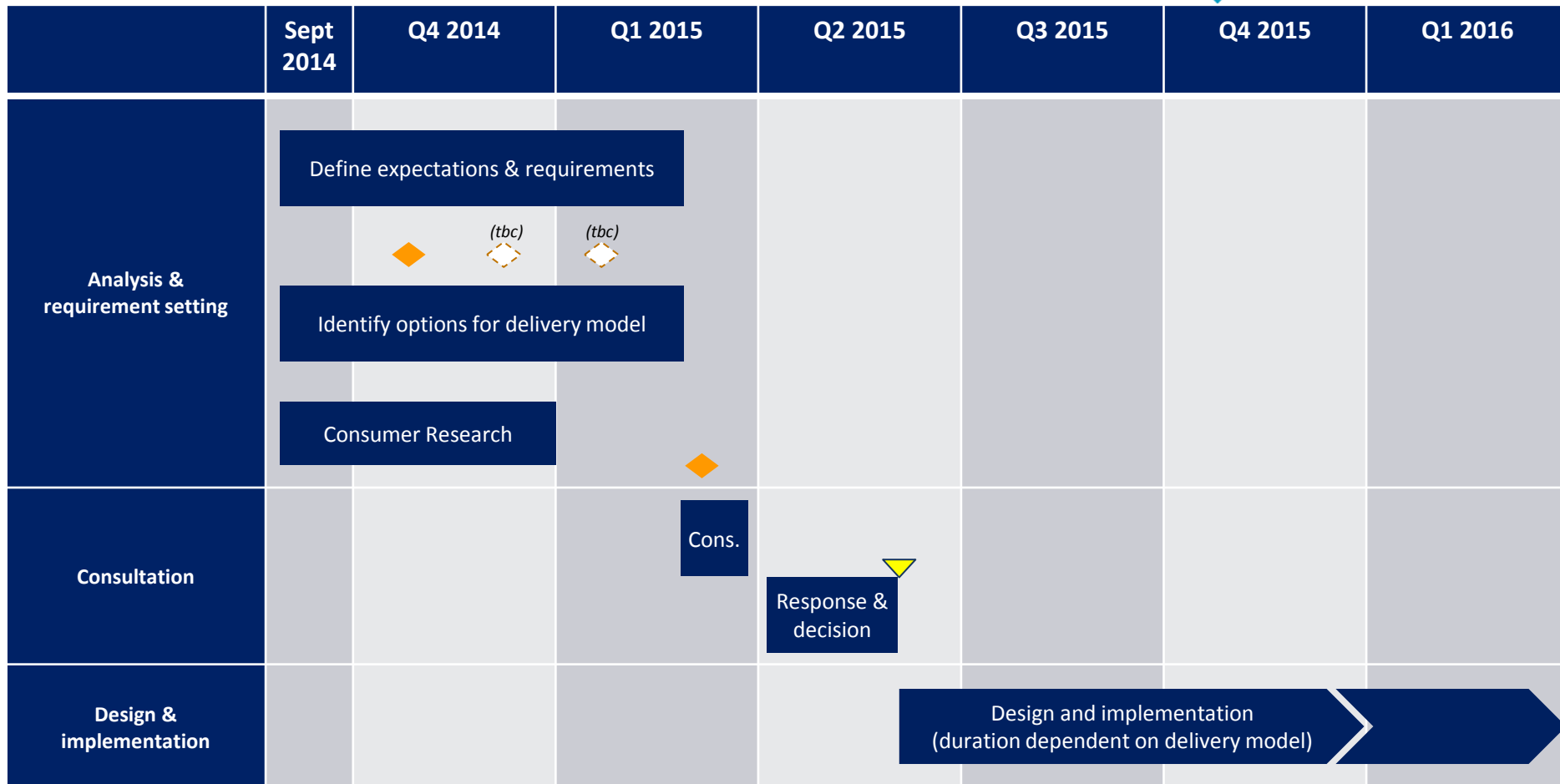
“Smart meters will give consumers an end to estimated billing – people will only be billed for the energy they actually use, helping them to budget better .” (DECC Smart Metering homepage)

“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 smart and advanced meters
- We will try and make the expectations and requirements work for all SMETS meters (capable and compliant)

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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 or of DCC opt-in/out

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.
- We have previously defined defining back-bills as “those relating to previously unbilled consumption [...] prior to the issue date of the back-bill”

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?
- 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 or of DCC opt-in/out

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

- Ofgem CoS research indicated that some consumers are concerned about closing and opening bills coinciding
- Closed account credit balances work led to 10 Commitments for domestic consumers, incl. refund within 10 days on actual read. Work on micro-businesses is ongoing.

Initial questions and assumptions to test

Questions:

- **What stands in the way of improving timeliness of closing bills?**
- 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?

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?

- Target for refunds (cf. 10 days for domestic consumers)
- Target for issuing final bills
- 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.
- Limited driver of complaints
- Smart meters offer opportunities for differentiated products

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
		Standards of Conduct				
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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- EUK/ICOSS Voluntary Standards for backbilling of microbusiness energy customers. Open to all energy suppliers. 19 signatories, 10 signatories to the wider voluntary commitments including moving to limiting back bills to 1 year where supplier is at fault by the end of 2014
- Licence Conditions* in place:
 - Inspection of Electricity Meters**
 - 12.14 Unless the Authority otherwise consents, the licensee must take all reasonable steps to ensure that it inspects, at least once every two years, any Non-Half-Hourly Meter in respect of premises at which it has at all times during that period been the Relevant Electricity Supplier.
 - 12.16 An inspection under paragraph 12.14 must include (a) 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
- **The Standards of Conduct** apply to billing, which cover:
 - the accuracy of a bill or statement of account;
 - any written or oral communications of a bill or statement of account;
 - the timeframe for a micro business consumer receiving a bill or statement of account and the timeframe for the repayment of a bill;
 - and all matters which fall into the scope of SLC 21B that relates to billings based on meter readings, including customer

* From electricity supply licence; similar in gas LC