

Effective billing workshop

On 25 November 2015, Ofgem held a workshop relating to effective billing and the information that should be provided on bills. This note summarises the outputs of the workshop.

Participants were invited to discuss their views on three questions:

- 1) What information do customers want and need?
- 2) What are the known issues with current communications?
- 3) What should the priorities be when addressing known issues?

The output below summarises the output from the tables. It does not reflect the views of any one group or of Ofgem.

1. Session 1 – What information do consumers want and need?

- 1.1. Attendees discussed the information that they, as consumers starting with a blank canvas, would want on supplier communications. Discussion was primarily focused on the bill, however, attendees also considered the information they would want on other key supplier communications, including the annual summary, price increase notice and end of fixed term notice. There was discussion about the purpose of the bill (as the main communication route to customers) because levels of prescribed information have been added over time.
- 1.2. Generally, it was agreed that communications should be clear, simple and appropriate for the stage on the customer journey eg a consumer's information wants and needs just before the expiry of a fixed-term contract are likely to be different from those at the start of a contract. Attendees also commented that different customer groups wanted and needed different things depending on their level of knowledge and engagement.
- 1.3. At its most basic, attendees proposed that a bill should communicate three key pieces of information: how much the customer owes, when that amount is due and how it can be paid. One table suggested that the bill should be no longer than one page.
- 1.4. Other proposals for information that customers may **want** on the bill were:
 - A cost breakdown of the components of the customer's charges, including an explanation of the methodology behind the cost calculation (eg standing charge, consumption).
 - A snapshot of how much the consumer owes, with a link to further information if there has been a bill shock, or to scrutinise their bill further.
 - How much energy the consumer used and an indication if the consumption value provided is actual or estimated.

- Clear supplier contact details – who the consumer’s supplier is and how to contact them via phone and online, including any emergency contact details.
- Sources of independent or supplier-provided advice on the process involved to switch.
- Information about cheapest tariffs to switch to, including a comparison of the consumer’s current tariff to the supplier’s cheapest tariff.
- The consumer’s tariff’s fuel mix.

1.5. There was some overlap with the above when stating what customers **need**:

- Contact details, including the name of the consumer’s supplier and relevant contact information, information about how to complain and emergency contact information.
- Tariff information, including the consumer’s current tariff, its end date (if applicable), what their next steps are and if there are any termination fees for switching.
- A clear projected cost of the customer’s current tariff.
- The consumer’s Metering Point Administration Number and/or meter point reference number, as applicable.
- Sources of independent advice.
- Information about additional services offered by the supplier.
- Signposting to information for vulnerable consumers.

2. Session 2 – What are the known issues with current communications?

- 2.1 This session was open for discussion on all key supplier communications, though much of the focus was on the bill. Attendees generally agreed that the level of prescribed information on communications is too high, leading to consumers being overwhelmed with information, and that greater consideration should be given to the coherence of the information on the bill as a whole.
- 2.2 Consistent with the first session, attendees again stressed that the level of prescription by licence has led to a one size fits all approach which doesn't allow for tailored information to be provided to a consumer.
- 2.3 Supply attendees also emphasised that the prescribed formatting requirements interrupt the flow of information to the consumer. This leads to the consumer not being provided with the most important or engaging information to them when they would expect it. Some attendees raised providing tariff information labels (TILs) on the end of fixed term notice as a specific example of this.
- 2.4 It was considered that the jargon/language used on communications is too complex for consumers to understand, and that inconsistent naming conventions add to the complexity. There was acknowledgement that this is a longstanding industry issue. There were a number of related issues discussed in this area, including:
- The inconsistency of tariff names.
 - Whether to use metric or imperial measurements.
 - That it is difficult to explain the various billing calculations in a simple manner, leading to customer confusion. The gas calorific value calculation is particularly difficult for consumers to understand.
 - Expressing discounts in p/kWh is difficult for consumers to engage with.
 - That it is difficult to explain the standing charge to consumers and why it costs what it does.
 - Prescription means that suppliers have limited or no scope to explain the jargon/language that they know their customers find confusing.
- 2.5 Attendees also raised issues with the prescribed content on communications introduced as part of Ofgem's Retail Market Review. The issues discussed in this area included:
- The clarity of the cheapest tariff messaging, in particular the requirement to provide estimated savings in relation to two tariffs, the relevant cheapest and overall cheapest tariffs.
 - That while the estimated annual cost (Personal Projection) assists consumers in comparing the costs of tariffs, it is difficult for consumers

to understand the rationale for the methodology if the consumer is on a fixed-term contract coming to an end in less than 12 months.

- That without energy literacy, the tariff comparison rate (TCR) is confusing or at worst misleading. The inability to personalise the TCR leads to consumers not finding it useful. Some attendees suggested that requirements to provide the TCR in its current format should be removed.
 - Technical issues around the implementation of QR codes – for example, failed scans mean that some consumers are unable to obtain meaningful comparisons using this technology.
- 2.6 Some attendees raised that prescription around the timing of sending out notices (for example the end of fixed term notice within the 42-49 day window prior to the consumer's fixed term contract ending) may lead to the consumer being provided with irrelevant and out-of-date tariff information.
- 2.7 Duplication of information across different communications (for example the bill and annual statement) was raised as an issue. Attendees wondered whether there is scope to reduce this duplication.
- 2.8 Several attendees noted that the licence conditions are written with the paper communication very much in mind, and that there are a lot of grey areas regarding what is acceptable for online communications (eg whether signposting to information fulfils prescriptive requirements). Attendees suggested that the online communications journey needs to be improved. In addition, it was felt that current prescription is not designed for the transition to smart.
- 2.9 A number of attendees suggested that the licence is not particularly clear on prepayment customer billing requirements, leading to these customers not receiving information on the options available to them.

3. Session 3 – What should the priorities be when addressing known issues?

- 3.1 In the final session, attendees were asked to consider the issues raised in the previous session and assign priorities to address them. Emphasis was placed on describing where the potential solutions should sit along a scale from a prescriptive to a principles-based approach. Suggestions from attendees ranged from quite general to very specific.
- 3.2 Attendees suggested, as a general principle, suppliers should have the ability to tailor information to the individual consumer, including the mode of receiving information (eg via post or electronically) and providing personalised information that is of relevance and interest to the specific consumer.
- 3.3 Specifically regarding the bill, attendees suggested that it should be differentiated from the annual summary so that different communication channels provide key information at key journey points. Some attendees

proposed that the bill should contain only billing information and that all other peripheral information should be put onto a separate communication such as a factsheet. Others expressed concerns about missing the opportunity to prompt consumers to engage in the market.

- 3.4 It was suggested that some level of prescription to ensure minimum standards and consistency would be helpful, with principles sitting above the prescription to allow for flexibility of language and placement of information on communications. At a broad level, it was considered bills and other communications might be improved by establishing best practice for these communications, which would involve going back to first principles about the purpose of each communication.
- 3.5 Regarding how these principles and prescriptions might be determined, some attendees suggested using new and existing research to inform what consumers need and want. Two attendees suggested utilising best practices of other industries (for example, the pensions and travel industries). Others suggested using a panel made up of a representative cross-section of consumers to vet any changes to communications, to ensure that the consumer voice is at the heart of any changes.
- 3.6 Consistent with sessions 1 and 2, improving suppliers' ability to tailor information was raised as a priority issue to be addressed. Attendees suggested that this could be achieved by getting consumers to indicate areas of interest/levels of engagement at the acquisition stage or via the use of voluntary information or pre-existing datasets.
- 3.7 Related to the above point, attendees suggested tailoring the online/offline journey so that all prescribed information is not required to be provided in full, but allowed to be signposted according to consumer preferences. Attendees stressed that while paper and online communications have similar core elements, more flexibility is needed with online communications.
- 3.8 Attendees raised specific areas of concern to be addressed which were not strictly solutions to the issues raised in session 2, but areas where some felt additional work was needed:
 - Augment the TIL to include Economy 7 information, and consider flexibility in format to allow for a tabular display of information.
 - Reconsider an appropriate communication window for sending out end of fixed term notices.
 - Evaluate the value of providing machine-readable images/QR codes on bills.
 - Simplify the cheapest tariff message.
 - Improve the comprehensibility of the unit rate – this is narrowly defined across suppliers but suppliers have different pricing structures and costs.

- Clearly state who to contact about complaints – the supplier or a trusted third party.
- Remove the TCR and replace with a personalised explanation (eg a change in tariff actions to get best deal).
- Revisit the personal projection methodology, specifically where the consumer's fixed-term tariff is coming to an end in the next 12 months.
- Relate part of bill to use of certain appliances, which may assist consumer engagement with their consumption.

3.9 Attendees noted that while the effective billing work is intended to be rolled into Ofgem's Future Retail Regulation work programme, interim measures are required to enable work to happen in this space in the short to medium term. Some attendees suggested that a trials process should be established, which could incorporate an amnesty from complying with specific licence conditions through a supplier-wide derogation.

3.10 Some attendees also called for any changes to communications to be explained to consumers via a communications campaign.

Appendix 1 – List of attendees

Attendee	Company
Adhir Ramdarshan	Ofgem
Alex Tyler	Ofgem
Aniru Shyllon	Utility Warehouse
Ben Edgar	Extra Energy
Beth Moon	Ofgem
Carol Seaton	Energy helpline
Charlotte Thomas	Flow Energy Limited
Chris Nichols	Legal Services Board
Daisy Cross	Energy UK
Dan Alchin	Energy UK
Daniel Walker-Nolan	Citizens Advice
Dawn Armstrong	DECC
Devon Halls	Flow Energy
Elisabeth Costa	Behavioural Insights Team
Elizabeth Elster	Competition Markets Authority
Emma Bush	Uswitch
Gillian Cooper	Citizens Advice
Hazel Ferguson	Which?
Helen Luty	Good Energy
Isla Philips	Spark Energy
Jill Laurie	E.ON
Julie Allen	npower
Kenny Griffith	Energylinx
Laura Warren	CMA
Liz Furmedge	SSE
Louise Hillman	Moneysupermarket
Lynn Kimmins	npower
Martin Thomas	Better Energy
Michelle Looi	Ofgem
Natasha Hobday	First Utility

Attendee	Company
Nazma Bandali	British Gas
Nicola Brown	Good Energy
Nikita Bhangu	Ofgem
Paul Bellamy	E.ON
Paul Finch	npower
Philip White	GB Energy Supply Ltd
Rhona Peat	Scottish Power
Rob Eynon	Greenstar Energy
Robert Jeffrey	OVO Electricity
Robert Larkins	Utility Warehouse
Rose Atkinson	OVO Electricity
Rosemary Athawes	Scottish Power
Ruben Pastor-Vicedo	Robin Hood Energy
Ryan Wilkins	Ecotricity
Sarah Bloomfield	Uswitch
Shaun Tey	UKRN
Stephanie Salusbury	Moneysupermarket
Steve Rowe	Co-Operative Energy
Steven Findlay	SSE
Thomas Lowe	British Gas