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Sent via email to [bart.schoonbaert@ofgem.gov.uk](mailto:bart.schoonbaert@ofgem.gov.uk)

2<sup>nd</sup> October 2015

Dear Mr Schoonbaert,

**Smart billing for a smarter market.**

I am writing in response to the above consultation, which asks for views on Ofgem's proposals for smart billing.

Haven Power is a Drax Group company and is a non-domestic electricity supplier that has been supplying Small Medium Enterprises (SME), including microbusinesses since 2007. In 2009, we entered the Industrial & Commercial (I&C) sector and have been steadily growing our customer base in both areas and currently supply ~29,000 and ~9,600 MPANS in the SME and I&C sectors respectively. We would like to respond to the questions raised in your consultation as follows;

- **Do you agree with our assessment of the risk of estimates and backbills in the smart future?**

Yes. A programme on the scale of the smart meter rollout will entail significant process and system changes for suppliers, as well as third parties. The challenges are difficult to predict, but we agree that backbills and estimated bills are a risk, particularly in the early stages of the rollout.

It is worth noting that if the smart meter installations are carried out well, and the right data is correctly captured, the rollout could be an opportunity "clean up" customer accounts by dealing with historic problems and preventing future issues but the challenges of this should not be underestimated. A large new workforce will be necessary to install the meters and experience tells us that there will be issues arising from this. These issues are likely to be exacerbated by the compressed timescales available for installation and by the need to resolve existing metering issues before changing the meters. The overall programme remains very ambitious and the DCC which is critical to

interoperability is unproven. Suppliers have limited control over the service provided by the DCC.

- **Do you agree that a time limit on smart backbills is an appropriate response to this risk?**

No. We don't believe this approach will encourage Ofgem, suppliers and consumers to work together to overcome the challenges posed by mass smart meter rollout. It may also deter new, independent energy suppliers from entering the market which would reduce competition and choice for consumers.

There is a danger that such a tight limit on backbills could drive the wrong behaviour, where suppliers bill incorrectly and wait for the customer to challenge. A time limit on backbills may panic suppliers into issuing an estimated invoice in order to try and secure some payment from the consumer.

- **Do you agree with our proposal to implement such a limit via licence obligations? If not, what alternative would you suggest?**

Introducing another prescriptive licence obligation is at odds with Ofgem's aspiration to move to principle based regulation. We feel a voluntary code of practice would be preferable as it would be easier to modify in the future and would allow phasing in of commitments to be included. Customer service is a key differentiator amongst suppliers and suppliers should be free to differentiate themselves accordingly. It will be almost impossible for a supplier that inherits a smart meter to spot some issues (e.g. that the meter actually supplies the flat next door) and it is not reasonable to limit back billing timescales for this sort of issue.

- **Do you have any comments on our proposal for suppliers to publish billing performance data for consumers with smart meters?**

We have no objection to the proposal for suppliers to publish billing performance data. We do however question how useful this information would be to consumers as, in our experience, they are unlikely to make a decision to switch to a supplier based on their billing performance. Price and service tend to be the key factors for customers comparing suppliers. It is also worth considering whether the information may be misinterpreted as customers would not have an appreciation of the underlying data. Billing data may be misleading or damaging if there are problems at the DCC especially for smaller suppliers with a higher proportions of new customers.

- **Do you agree with our proposed treatment of microbusinesses?**

No. Ofgem's microbusiness definition makes it difficult for suppliers and other industry bodies to determine at a glance which customers meet the criteria.

For this reason, and because customers can move in and out of the category as their business changes during the term of the supply contract, many energy suppliers (including Haven Power) treat all SME customers as microbusinesses. Unless the definition of a microbusiness is changed, it will be difficult to apply or enforce a limit as it would be unclear to both suppliers and the authority which customers are covered.

We agree with the concern, raised by stakeholders that Advanced Meters have been in use in a number of microbusiness premises for some time. This would mean the policy approach would apply to a large volume of meters from day one.

- **Do you agree with our proposal for the duration of a smart backbill limit?**

No. In our view, reducing the backbilling duration limit to six months is “too much, too soon”. The current maximum electricity backbill length for a microbusiness is 3 years, according to Energy UK’s Voluntary Standards. We feel 6 months is too big a jump, particularly at a time when suppliers will be facing the challenges of a mass smart meter rollout, including new processes and system changes. We agree that accurate bills are one of the key benefits smart meters offer, and appreciate industry bodies are keen to see this benefit realised at the earliest opportunity. However, if a backbilling limit is to be applied, we would like to see a more considered approach. Please also see the points that we have made above.

- **Do you agree with our proposed implementation timescales?**

No. We feel Ofgem should wait until a reasonable population of smart meters, including challenging sites, have been installed and proved to be working smoothly including change of supplier before introducing additional regulation. Any backbill limit should be phased in and further consultations issued once suppliers have had the opportunity to establish processes and stabilise their systems, and customers are used to the new equipment, how it operates and how functionality could benefit them.

- **Do you agree with our proposed scope of a smart backbill limit?**

- **Meter types** – As mentioned previously, Advanced Meters have been in use for some time, meaning the policy would apply to a large volume of meters from day one. Also, including meters with known intermittent remote communications may lead to suppliers avoiding supplying such meters in case they were unable to issue timely, accurate bills and collect payment.
- **“Customer not at fault”** – Whether or not the customer is at fault, is not always straightforward to determine. We encounter complicated scenarios, as well as differences of opinion. Haven works on the principle of building relationships with our customers by working together to resolve any issues. Introducing the concept of “fault” is out of keeping with this relationship. Assigning blame to either customer or supplier is damaging and goes against

our values. There is also a risk that it may encourage negative behaviour. For example, if a customer is aware they can only be billed for 6 months after moving into a property, they may not feel it is in their interest to advise their supplier of the change of tenancy. It can be difficult to evidence the accuracy of information given, by a supplier or customer, at a later date.

- **Fixed Direct Debits** – We believe Fixed Direct Debits should be out of scope. Businesses in particular can be very seasonal, resulting in unpredictable peaks in consumption at certain times of the year. Suppliers may be tempted to set direct debits too high in order to avoid being caught out by under-estimation of consumption. This would be to the detriment of the consumer.
  
- **Do you agree with our assessment of the implications of the proposed backbill limit on your business?**  
No. We do not agree with Ofgem’s view that a smart backbill limit would not lead suppliers to incur significant costs. At this stage, it is difficult to predict the extent of system changes, but we would expect them to be costly, particularly for smaller suppliers who rely on third parties for IT solutions. We would also have to factor in a number of new and revised processes. In addition, a 6 month backbill limit will result in suppliers having to absorb the costs of not issuing a back bill. This would have a greater impact on non-domestic suppliers, as they would be compelled to write off larger sums. This would increase prices for customers in the medium term.
  
- **Do you have any comments on our proposed approach to the objectives (on change of supplier, billing frequency and direct debits)?**  
No.

I hope our response is useful. Please contact me using the details below if there is any aspect you would like to discuss further.

Yours sincerely

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