

The Company Secretary

British Gas Trading Limited
Millstream Maidenhead Road
Windsor, Berkshire SL4 5GD, UK

Date: 21 November 2016

Dear Sir/Madam

Request for derogation – Billing Trial

This letter sets out the decision of the Gas and Electricity Markets Authority (the “**Authority**”) to vary the directions it issued to British Gas Trading Limited (company number 3078711, the “**Licensee**”) on 22 June 2016 (the “**Directions**”). Under the Directions, the Authority granted the Licensee a temporary and limited derogation from various elements of standard licence condition (“**SLC**”) 31A of its electricity and gas supply licences. The Directions enabled the Licensee to conduct a trial of a new version of its bill for domestic gas and electricity customers.

On 2 November 2016, the Licensee requested variations to the Directions to allow for a greater number of customers to participate in the trial.

For the reasons outlined below, the Authority has decided to issue the relevant variations to the Directions at Attachments 1 and 2. The varied Directions will be published and remain in force until 30 November 2016 unless revoked earlier or varied in writing by the Authority. Any change in circumstances relevant to the Directions must be reported to the Authority as soon as possible.

This letter constitutes the Notice, under section 49A of the Electricity Act 1989 and section 38A of the Gas Act 1986, of the reasons for the Authority’s decision to issue the attached variation of Directions.

Background to the request to vary the Directions

The Licensee applied to the Authority on 21 March 2016 for a derogation to exempt the Licensee from the requirement to comply with certain conditions of SLC 31A to allow it to conduct a trial of a new version of its bill for domestic gas and electricity customers.

On 22 June 2016, the Authority issued the Directions accompanied by a letter, which can be found on the [Decision notices](#) page of the Ofgem website.

On 2 November 2016, the Licensee submitted a request for variations to the Directions. The variations will allow the Licensee to increase the volume of customers in their simplified bill trial from 30,000 to 50,000 customers. The Licensee indicated that due to challenges with consumer

contact details (telephone numbers and other customer contact issues), the number of responses it is expecting to receive from the current 30,000 customers considered for the trial will be too small for the results of the trial to be robust and reliable and provide statistical significance. The Licensee therefore wants to increase the number of customers participating in the trial. This will increase the number of responses and ensure that the trial produces more reliable results. The Licensee has confirmed that the process it established at the time it applied for the original derogation and the consumer protections it put in place remain the same and will continue to be effective.

The Authority's Decision

Having regard to our principal objective¹ and statutory duties, and based on the information submitted by the Licensee, we have decided to grant the requested variations to the Directions to allow the Licensee to increase the number of customers participating in the trial to test consumer engagement with its new bill. We consider that this variation does not undermine the objectives of our retail market policies, in particular the objective of providing consumers with clearer information.

The relevant rules were introduced to increase consumer engagement in order to stimulate competition in the energy market. We are currently implementing a number of remedies for the retail energy market proposed by the Competition and Markets Authority. In light of this, we indicated in our open letter², on improving consumer communications and the value of trials, that we are committed to ensuring that consumers have the information they need to fully engage with the market and to make well-informed decisions about their energy supply. The Licensee indicated that it will share the results of the trial with Ofgem, which could assist our policy development in this area and our consideration to move towards greater reliance on principles in the way we regulate the retail market.

Therefore, the Authority grants the variations to the Directions as at Attachments 1 and 2 below.

We emphasise that we expect the Licensee to meet the conditions specified for open trials in our 7 March open letter. This includes our expectation that suppliers monitor closely the impact of trials on consumers so that any negative impact on consumers is quickly identified and addressed.

If you have any questions about this letter, please contact my colleague, Jibirila Leinyuy on 0203 263 9624 or Jibirila.Leinyuy@Ofgem.gov.uk.

Yours faithfully,

Anthony Pygram

Partner, Consumers & Competition

Signed on behalf of the Authority and authorised for that purpose.

¹ The principle objective of the Authority is to protect the interests of existing and future electricity and gas consumers.

² See Ofgem open letter on "The future of retail market regulation"
https://www.ofgem.gov.uk/system/files/docs/2016/06/the_future_of_retail_market_regulation_-_update_on_the_way_forward.pdf

ATTACHMENT 1: Electricity Supply Licence

The Company Secretary
British Gas Trading Limited
Millstream Maidenhead Road Windsor, Berkshire SL4 5GD, UK

Variation of direction issued to British Gas Trading Limited (company number 3078711, the "Licensee") by the Gas and Electricity Markets Authority (the "Authority") on 22 June 2016

1. The Authority varies the direction issued pursuant to Standard Licence Condition ("SLC") 31A.6A of the electricity supply licence granted under section 6(1)(d) of the Electricity Act 1989 to the Licensee on 22 June 2016 (the "Direction").
2. SLC 31A.6A provides that the Authority may issue directions relieving the Licensee of its obligations to comply with section A of SLC 31A to such extent and subject to such conditions as the Authority may direct.
3. The considerations and rationale of the Authority's decision to vary the Direction are set out in the accompanying letter to the Licensee, dated 21 November 2016.
4. The Authority varies the Direction in the following way:

At paragraph 7 of the Direction, replacing the number "30,000" with the number "50,000".

5. The Licensee is required to report any change of circumstances relevant to the Direction to the Authority without delay.

Dated: 21 November 2016

Anthony Pygram

Partner, Consumers & Competition

Signed on behalf of the Authority and authorised for that purpose.

ATTACHMENT 2: Gas Supply Licence

The Company Secretary
British Gas Trading Limited
Millstream Maidenhead Road Windsor, Berkshire SL4 5GD, UK

Variation of direction issued to British Gas Trading Limited (company number 3078711, the "Licensee") by the Gas and Electricity Markets Authority (the "Authority") on 22 June 2016

1. The Authority varies the direction issued pursuant to Standard Licence Condition ("SLC") 31A.6A of the gas supply licence granted under section 7A(1) of the Gas Act 1986 to the Licensee on 22 June 2016 (the "**Direction**").
2. SLC 31A.6A provides that the Authority may issue directions relieving the Licensee of its obligations to comply with section A of SLC 31A to such extent and subject to such conditions as the Authority may direct.
3. The considerations and rationale of the Authority's decision to vary the Direction are set out in the accompanying letter to the Licensee, dated 21 November 2016.
4. The Authority varies the Direction in the following way:

At paragraph 7 of the Direction, replacing the number "30,000" with the number "50,000".

5. The Licensee is required to report any change of circumstances relevant to this Direction to the Authority without delay.

Dated: 21 November 2016

Anthony Pygram

Partner, Consumers & Competition

Signed on behalf of the Authority and authorised for that purpose.