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Strictly Private and Confidential

By email to: switchingprogramme@ofgem.gov.uk

18 December 2017

FAO Dennis Berg,

Re: Statutory Consultation - Protecting consumers who receive back bills

Thank you for providing the opportunity to comment on the proposal to implement a 12 month back bill limit under a new Licence Condition. We have set out our responses to the specific questions in this letter. Gazprom Energy considers the information set out in this response to be strictly private and confidential.

In replying to this Statutory Consultation we have chosen to make a consolidated response to the questions posed.

We have particular concern over the far more restrictive nature the proposed Licence Condition has than the current Energy UK/ICoSS Voluntary Standards of which we are a signatory to. The nature of assigning fault is already very difficult and under these proposals it becomes even more so. There are several scenarios where the supplier has little influence despite doing everything reasonably possible to obtain the correct information to ensure their consumers are being billed correctly.

For example smaller suppliers have little to no control over large former monopoly meter providers as they are reliant on their services which they have little ability to influence directly. Under the current Voluntary Standards developed by the whole industry there are suitable protections but the proposals being made under this Consultation would be unduly onerous. Under the new proposals it makes it much more ambiguous as to when a customer could be determined as being at fault, with the only criteria being something “obstructive or manifestly unreasonable”, which could be interpreted in a number of different ways leading to confusion for customers.

We are particularly concerned with the proposed immediacy of this new Licence Condition coming into force. By only allowing 56 days following the publication of the decision notices it does not give sufficient time for businesses to change processes and systems as would be required. The timing and cost implications for suppliers to introduce this new Licence Condition at such short notice will have a material impact on system and operational requirements that could detrimentally impact all consumers if sufficient time was not granted.



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Currently, as a signatory to the Voluntary Standards, we adhere to the 4 year and 3 year back billing limit for gas and electricity respectively. In addition to this, despite the Voluntary Standards being aimed specifically at the domestic and microbusiness markets, we have opted to treat all our I&C customers equally under these limits. By moving to a 12 month period with much more strict criteria, we will be required to consider our approach to its application. This will potentially require even more complex configuration of our systems that would not be reasonably possible to implement in such a short time period as 56 days.

In some circumstances incorrect billing derives from when a bill is produced to an Automatic Meter Reading and later analysis finds it to be erroneous. This can be a result of either drift between the meter and device, a customer read or a visible meter read taken from the meter. There are circumstances where the supplier takes all reasonable steps to ensure this is corrected but issues outside of the control of the supplier could render this difficult or timely. Under the Licence Conditions proposed in this Consultation the supplier could be unduly punished for circumstances outside their control and having taken all reasonable steps to resolve the situation for the consumer.

With the Settlement Order coming into effect from April 2018 we would propose that the implementation date be aligned with this key industry change. Our recommendation would be that a 12 month transitional period be taken to ensure that the changes made to systems and process can be robust and therefore not unintentionally detrimental to consumers. At the very least we think there is grounds for a 6 month implementation period for any of the proposals in this Consultation to ensure a smooth and thorough transition that will ultimately be beneficial to consumers.

Ofgem have stated that a move towards more principles based regulation is the desired direction for Energy Regulation but the proposals outlined in this Statutory Consultation are entirely prescriptive and contradicts this message. We believe that the concerns highlighted in this response show that intervention in the manner described in the Consultation could harm the market.

Should you have any questions relating to the information provided in our response, please do not hesitate to me contact using the contact details below.

Kind regards,

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