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Dear Bart

Corona Energy response to Smart Billing Proposals

Thank you for the opportunity to respond to the consultation on Smart billing for a smarter market. We do not consider our response to be confidential.

Introduction

Corona Energy is a shipper and supplier of gas and a recent supplier of electricity to the non-domestic market. Our customers range from micro-businesses and SMEs through to large industrial and multi-site customers.

CHAPTER: Two

Question 1: Do you agree with our assessment of the risk of estimates and backbills in the smart future? Please provide any evidence you have to support your answer.

We do not agree as it assumes that suppliers are in control of all aspects of obtaining a meter reading. It does not take into account the following:

- Suppliers rely on third parties for communications and asset provision. In many cases these are either monopoly providers (such as the DCC), their competitors (such as a big six meter asset provider) or, in the case of smaller suppliers, the meter providers holds a dominant position in the relationship. This limits the ability of the supplier to influence their behaviour or pass on any resulting costs.
- Customer activity will prevent reads being obtained, either through damaging the meter installation or some other activity that blocks the meter signal.

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- In many cases communications with a smart meter installation will be intermittent owing to meteorological or topographical reasons. These issues cannot be solved or mitigated by the supplier

Question 2: Do you agree that a time limit on smart backbills is an appropriate response to this risk?

Any form of time limit on backbills has the following impacts:

- A drive to PAYG as suppliers seek to insulate themselves from backbilling risk.
- An emphasis on site visits to ensure backbills may be issued so an increase in site visits where a sites' signal is intermittent (which in our experience is many sites).
- A significant increase in the perceived risk of supplying microbusiness customers which will either mean an increased cost or a greater likelihood of refusal to supply, so harming the microbusiness market.

These substantial drawbacks to the industry could be avoided through a more proportionate solution, such as enforcement by Ofgem (using existing powers under the Standards of Conduct) and/or publication of backbill rates.

Question 3: Do you agree with our proposal to implement such a limit via licence obligations? If not, what alternative would you suggest?

No.

- Proposal to implement a prescriptive licence condition on a narrow subject area goes against the concept of a principles based regulatory regime.
- Current standards of conduct licence condition (SLC12B) give Ofgem a clear route for monitoring and enforcement of any unreasonable supplier behaviour and so no additional powers are needed with regard to billing.
- An industry-wide set of principles already exist (run by Energy UK and ICoSS) and updating these to reflect the changes in metering technology is proportionate and in line with the move to principles-based regulation.

Question 4: Do you have any comments on our proposal for suppliers to publish billing performance data for consumers with smart meters?

[This is only for domestic customers].

Question 5: Do you agree with our proposed treatment of microbusinesses? Please provide details of any reasons why not.

- No. Microbusinesses, unlike domestic customers, are engaging with suppliers on level terms, i.e. a business to business relationship. We believe that “bill-shock” would not cause the same issues for such customers as it would a domestic customer and so they should not be exempt from backbills.
- Not billing a microbusiness customer for energy they have used in the course of undertaking profit-making activities gives that business an unfair competitive advantage to its rivals and should be avoided on competition grounds.

CHAPTER: Three

Question 1: Do you agree with our proposal for the duration of a smart backbill limit?

No. We do not agree with any form of back-bill limit where the supplier has not demonstrably failed in its obligations to its customer.

Question 2: Do you agree with our proposed implementation timescales?

- Six months is insufficient time for these changes to be implemented as they require significant changes to billing systems and so third party contracts. At least a year is needed.

Question 3: Do you agree with our proposed scope of a smart backbill limit? If you disagree with specifics, please provide details.

No. Generally we believe the entire concept that a supplier should be prevented from billing when has not failed is wrong and so any backbill limit should only prevent corrective bills where the supplier has been negligent.

Detailed changes:

- The current scope assumes that only certain customer activity (theft, not providing details or access) is grounds for issuing long-term backbills, on the basis that suppliers are in control of all other facets of issuing a backbill. This is not correct.
- In our experience a significant cause of meter reads not being received is due to inadvertent customer actions at their site resulting in a loss of signal. This is sometimes accidental damage, but mainly building work or parking of vehicles near the meter. If such an event has occurred then backbills should go back more than six months.

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- In addition it is assumed that suppliers have control over their third party service providers and are in a position to pass on any costs in the event of their failure. It is not feasible for suppliers to pass on these costs, particularly for smaller suppliers as the meter provider will either be a larger entity and so in a dominant market position, or will be a competing supplier and so will have a clear incentive to contest costs. It should be noted that for smart meters communications will be provided by the DCC, a central service provider, over which the supplier will have no control and will be unable to switch away from. Taken together these issues strongly suggest that communication issues should also be a reason for such backbills to be excluded from the limit.

Question 4: If you are a supplier, do you agree with our assessment of the implications of the proposed backbill limit for your business?

The assessment misses the following:

- There will be significant upfront costs as contracts with both customers and third party providers are renegotiated.
- It will be necessary to reevaluate the risk of supplying microbusiness customers which will add cost to suppliers and will make it less likely that they will be offered supply.

CHAPTER: Four

Question 1: Do you have any comments on our proposed approach to these objectives (on change of supplier, billing frequency and Direct Debits)?

We agree with Ofgem's proposals in these areas [which is do nothing!]

Yours faithfully

Tim Hammond
Regulatory Affairs
Corona Energy