



Bart Schoonbaert, Senior Manager  
Consumers & Sustainability  
Ofgem  
9 Millbank  
London  
SW1P 3GE

Email to: [bart.schoonbaert@ofgem.gov.uk](mailto:bart.schoonbaert@ofgem.gov.uk)

2 October 2015

### **Smart billing for a smarter market: our proposals**

EDF Energy is one of the UK's largest energy companies with activities throughout the energy chain. Our interests include nuclear, coal and gas-fired electricity generation, renewables, and energy supply to end users. We have over five million electricity and gas customer accounts in the UK, including residential and business users.

We welcome the opportunity to comment on Ofgem's proposals regarding billing for customers with smart meters. We believe that the key principles supporting any backbilling arrangement should be:

- Customers should expect to receive accurate bills if they have a smart meter that is operating in smart mode (which includes active communications).
- Suppliers should be responsible for their systems and processes and ensure that the bills they are issuing to customers are accurate.
- Any prescriptive backbilling limit must be based on a transparent and robust assessment of the level of detriment that consumers are exposed to as a result of a backbill and the level of additional risks imposed on suppliers
- In particular, suppliers have no control over the DCC and are dependent on it to be able to issue timely and accurate bills to customers with a SMETS2 meter. Ofgem must therefore ensure that the DCC delivers the service levels and performance set out in their licence and contract.
- Any backbilling restriction should ensure that any liabilities fall on those who are best placed to manage them. Suppliers should not be exposed to failures by the DCC that prevent them from issuing timely and accurate bills.
- Backbilling restrictions should be applied uniformly by all suppliers to ensure that all customers have the same level of protection. The Code of Practice for Accurate Bills has provided significant protection and assurance to customers, but not all suppliers are signatories, and so application is not consistent.
- Sufficient time is required to implement smart specific backbilling limits. A 12 month implementation lead time, following Ofgem's final decision, is appropriate, with provision that the DCC has achieved operational stability within this period.

**EDF Energy**  
40 Grosvenor Place, Victoria  
London SW1X 7EN  
Tel +44 (0) 20 7752 2187

[edfenergy.com](http://edfenergy.com)  
*EDF Energy plc  
Registered in England and Wales.  
Registered No. 2366852.  
Registered office: 40 Grosvenor Place,  
Victoria, London SW1X 7EN*

Smart meters are an enabling tool in re-setting the relationship between customers and suppliers. They provide consumers with access to information, empowering them to understand their energy usage and potentially reduce it. Smart meters also enable automated meter readings, providing confidence to consumers that their bills they receive are for the energy they have used. As such, we believe that customers rightly expect to have accurate bills.

The accuracy and timeliness of their bills is a key issue of concern for consumers. The functionality that smart metering will deliver will support accurate billing and it is right that Ofgem consider how the rollout of smart metering could improve the quality of customer bills. We believe that smart metering should deliver a significant improvement in billing accuracy. Any backbilling limit should, however, be based on addressing consumer detriment rather than ensuring specific performance standards. We believe that suppliers' performance in regard to backbilling will become a key feature of a smart meter based retail energy market.

Suppliers will be reliant on the DCC to provide communication services to the majority of smart meters. As with network providers, the DCC is a monopoly service provider, we are therefore reliant on Ofgem effectively regulating the DCC to ensure that it delivers its licence and contractual obligations. As such, we do not believe that it is reasonable for suppliers to be exposed to any failures by the DCC, which they are unable to control or manage.

The current Joint Industry Plan (JIP) expects the DCC to go live in August 2016; however, this is likely to be delayed further and additional time will be required for the DCC to achieve their target service levels. The implementation timescales being proposed should only come into effect once the DCC is shown to be stable and able to handle the increasing volumes of smart meters that will be enrolled in its services. We strongly believe that, following Ofgem's final decision, a twelve month implementation timescale is more appropriate. This period will also allow suppliers to develop their operational experience of smart metering and the scenarios that give rise to backbills.

Given the clear risks Ofgem has identified, and that the proposals have the effect of preventing suppliers from fully recovering their costs should such risks crystallise, we do not agree with Ofgem's conclusion that it is not required to conduct an impact assessment. In particular, the changes being contemplated, and the risks resulting, are clearly capable of having a "significant impact" on suppliers and/or consumers. Therefore, any such proposals should, consistent with Ofgem's statutory duty, be subject to a robust and transparent impact assessment. To do otherwise may lead to Ofgem misdirecting itself and implementing regulations that are disproportionate and unjust.

We agree that all customers with a smart meter should be subject to the same level of protection from backbills. We therefore encourage Ofgem to consider how the relevant standards can be applied to all suppliers. We believe that Ofgem should consider how this could be achieved as part of its work on Principles Based Regulation, or alternatively could be included within a new licence enforceable code (based on the content of the current Energy UK Code of Practice for Accurate Bills). Energy UK's Code provides a great deal of supporting information to consumers, suppliers and other key stakeholders in regards to how backbilling is applied in various scenarios. This enables the delivery of a consistent outcome to all consumers, irrespective of their supplier. The Code is underpinned by an annual independent audit to assess suppliers for their compliance with the Code,

providing assurance to consumers that their supplier is complying with the rules on backbilling.

We are concerned that the implementation of prescriptive licence obligations would effectively mean the end of the Code of Practice for Accurate Bills. We believe that this would be to the detriment of consumers. We believe that Ofgem should consider an alternative approach, one that would ensure all suppliers applied the same backbilling limit supported by the Code of Practice for Accurate Bills.

We support Ofgem's proposals regarding the publication of billing performance data for customers with smart meters. Consumers should have access to transparent and consistent information regarding supplier performance in key areas. This will support their decision making when considering switching their supplier. To be meaningful and enable a fair comparison to be made, any such performance data must be consistently provided by all suppliers. In order to achieve this any reporting requirements must be clearly defined.

Our detailed responses are set out in the attachment to this letter. Should you wish to discuss any of the issues raised in our response or have any queries, please contact Paul Saker on 01342 413255, or myself.

I confirm that this letter and its attachment may be published on Ofgem's website.

Yours sincerely,

A handwritten signature in blue ink that reads 'Paul Delamare'.

**Paul Delamare**  
**Head of Customers Policy and Regulation**

## Attachment

### Smart billing for a smarter market: our proposals

#### EDF Energy's response to your questions

##### CHAPTER: Two

**Q1. 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 agree that estimated bills and backbills are likely to continue to be a risk for consumers who have a smart meter installed. While the rollout of smart metering should enable suppliers to access accurate readings from a smart meter when they bill a consumer, this does not guarantee that accurate bills will be issued. Access to these readings is reliant on a robust communications infrastructure, which for most smart meters will be provided by the DCC. It should also be noted that backbills not only originate from missing or inaccurate readings, but from other issues such as the quality of data provided by third parties, such as other suppliers or metering agents.

The processes for exchanging data between suppliers and metering agents are to remain largely the same for smart metering. Fundamental reform of these industry processes is unlikely while the majority of meters installed in consumer premises continue to be traditional meters. Installing a smart meter will address some of the main causes of estimates and backbills but will not address the industry process issues that give rise to backbills. This means that the risk of such bills being issued continues to exist for smart meters; it also means that this risk is not always one that can be addressed by suppliers.

We note that the evidence presented in the consultation suggests that estimated bills continue to be issued once a smart meter has been installed, and that the risk of this occurring may increase as the volumes of meters installed increases. However, it needs to be recognised that the industry is still in a learning phase with regard to smart metering, and that this performance may not be indicative of what will happen once the DCC has gone live and achieves stable operations.

We are concerned that Ofgem is seeking to impose licence restrictions on backbilling ahead of need being demonstrated through experience, and before the relevant technologies are proven to be robust at scale. We believe that at present Ofgem will not be able to properly assess the risk to suppliers in making any decision to restrict backbilling to any particular timescale.

**Q2. Do you agree that a time limit on smart backbills is an appropriate response to this risk?**

We agree that restricting backbilling based on a time limit is appropriate. Consumers have a reasonable expectation to be billed for the energy that they have used; they also expect this billing to occur on a timely and accurate basis. Placing a restriction on the

period for which suppliers can go back and bill for previously unbilled usage enables these consumer expectations to be met. It must be noted that, where a consumer cannot be billed for the energy they have used this is not then 'written off' and the cost incurred by their supplier; the cost is socialised across all customers of that supplier through their tariffs. Any backbilling limit therefore needs to find the correct balance between protecting one consumer, and penalising all consumers. It also needs to be based on the level of detriment consumers are exposed to as a result of a backbill.

We agree with the conclusion that the alternative options noted in the consultation, such as limiting the value of a backbill, would not be appropriate. Such approaches would be complex to implement and may not result in all consumers being treated equitably. A time limit for backbilling is easier for consumers to understand and simpler for suppliers to implement. It also enables a consistent approach to be taken for all consumers irrespective of consideration such as their energy usage, their chosen payment method or billing frequency.

EDF Energy is a member of the Energy UK's Code of Practice for Accurate Bills; we have also signed up to the Voluntary Standards for backbilling of microbusiness energy consumers published by Energy UK and ICOSS. Consequently, we already apply a time limit of twelve months for backbilling for all of our domestic and microbusiness customers.

**Q3. Do you agree with our proposal to implement such a limit via licence obligations? If not, what alternative would you suggest?**

We agree that a consistent level of protection from backbilling should be afforded to all consumers, irrespective of who their supplier is. We do not, however, agree that prescriptive licence obligations are required to achieve this. Even though there are currently only five members of the Energy UK Code of Practice for Accurate Bills, all domestic Suppliers apply the same twelve month limit on backbilling as a result of Ofgem's request following a super-complaint made by Consumer Focus's predecessor body, energywatch. Twelve months is also the limit applied by the Energy Ombudsman. It should be possible to implement any new backbilling standard through similar means, rather than through licence obligations.

It is unclear how the proposals align with Ofgem's overall intent to implement principles based regulation. Ofgem have previously indicated that they wanted to move away from prescriptive regulation to a more flexible approach that focussed on treating consumers fairly. The proposed licence obligations appear to be very prescriptive. Furthermore, they do not take into account the evolving nature of smart metering and may not remain appropriate over time as other changes, such as next day switching, are delivered. We believe that Ofgem should consider how their aims could be achieved as part of its work on principles based regulation. If this is not possible, backbilling standards could be included within a new licence enforceable code.

In this case, consideration should be given to mandating that suppliers become members of a code based on Energy UK's Code of Practice for Accurate Bills. We believe that this would deliver better and more consistent outcomes for consumers than prescriptive licence obligations. We also believe that such an approach would be simpler and more

cost-effective to implement. A time limit to be applied to backbills could be included in the licence, but the details of how and when this would be applied would be better dealt with under a code of practice.

We recognise that mandated membership of the Code of Practice for Accurate Bills may be a concern for those suppliers that are not members of Energy UK. We believe that it should be possible for this to continue to be managed under the auspices of Energy UK while still including non-Energy UK members (i.e. by adopting the usual code administration best practice arrangements). We understand that a 'code light' approach has been considered for these circumstances in the past.

An alternative approach would be for consideration to be given to including the Code of Practice for Accurate Bills within the remit of the Smart Metering Installation Code of Practice (SMICoP). We believe that the membership of both codes would be the same, and that the consumers covered by both codes would also be the same. The incremental costs of including billing within the scope of SMICoP should be low, and synergies could be gained through use of a single audit function for both codes.

The Code of Practice for Accurate Bills doesn't only set a time limit for backbilling, but also provides guidance to suppliers and consumers on how that limit should be applied. The 'Back-billing scenarios for domestic customers' document published by Energy UK provides clear guidance on how the backbilling limits should be applied in a number of detailed scenarios. This document is regularly updated based on feedback provided by members, and input from Ofgem, Citizen's Advice and the Energy Ombudsman. It serves to ensure that consumers can expect to be treated in a fair and consistent manner, irrespective of who their supplier is. This collaborative approach allows for sharing of best practice and a better understanding, and resolution, of the causes of backbilling. We are concerned that the significant amount of work undertaken to date in regards to backbilling could be lost, and that there would no longer be a forum to discuss change. This is particularly worrying given the level of uncertainty that exists around the mass rollout of smart metering and the issues that may arise.

No detail has been provided in the consultation on how Ofgem would monitor and enforce compliance with any new licence conditions. It is not therefore clear what information needs to be captured, and how this should be presented in order to demonstrate compliance with any standards. Any reporting and monitoring requirements need to be identified as early as possible in order that systems and processes can be designed to capture this information on an ongoing basis. It should be noted that members of the Code of Practice for Accurate Bills are able to demonstrate their compliance with the Code through a mixture of self-certification and formal audit. The results of this audit are then published and accessible to all consumers via the Energy UK web-site. The existing compliance monitoring function of the Code would appear to address the concerns regarding monitoring of compliance with backbilling standards.

One of the key principles of the Code of Practice for Accurate Bills is that it does not replicate any licence obligations. Backbilling is the main constituent of the current Code; if licence obligations were to be implemented then it would no longer be appropriate for

backbilling to be included in the Code. This would effectively mean the end of the Code of Practice for Accurate Bills, which we believe would be to the detriment of consumers.

**Q4. Do you have any comments on our proposal for suppliers to publish billing performance data for consumers with smart meters?**

We agree that this seems to be a reasonable proposal. Consumers should be able to access information that enables them to make informed choices regarding their energy supplier. This information should be something that both domestic and microbusiness consumers will be able to understand and use, and therefore value as part of their decision making processes.

We are keen to ensure that any information that is published enables a fair comparison to be made. A number of factors could skew the data, for example, the number of smart meters that the supplier has installed, billing frequency or DCC communications performance. Given that DCC communications issues are likely to have a regional effect, such issues could have a disproportionate impact on certain suppliers based on customer density in that region. These types of factor will need to be taken into account if these proposals are progressed. It is also critical that any reporting requirements are clearly and unambiguously defined in advance. There may also need to be some oversight applied to any reporting to ensure that suppliers are applying any requirements appropriately. Where performance information is being made publicly available for the purposes of comparing supplier performance, it must be ensured that this data is generated on a consistent basis to allow for a fair comparison to be made.

**Q5. Do you agree with our proposed treatment of microbusinesses? Please provide details of any reasons why not.**

We agree with the proposed treatment of microbusinesses, subject to some detailed amendments. We believe that microbusiness consumers are exposed to detriment through backbilling in the same way as domestic consumers. It is therefore appropriate for them to be offered the same level of protection. This is why we have signed up to a twelve month limit for gas and electricity under the Voluntary Standards for backbilling of microbusiness energy customers.

In order to ensure that protection is provided to those that actually require it, a change is required to the definition of microbusinesses within the supply licence. The current microbusiness definition includes non-energy elements such as turnover and number of employees. This information is not typically captured by suppliers, is not readily provided by consumers and is not easy to maintain. There is no industrial list of microbusinesses in the UK. The challenges in the market can be better understood by defining consumers by consumption band and not by the microbusiness definition overall. Our recommendation is to remove non-consumption based elements of the definition (number of employees / turnover) and replace the consumption threshold with profile class as this is simpler for suppliers and consumers. We propose that the current Ofgem definition is simplified to cover only business customers of up to five sites, that have profile class 3 and 4 electricity



meters and gas demand below that where AMR meters are mandated (i.e. with gas meter capacity below 11 cubic meters per hour).

The current definition of microbusinesses already has an impact on the way we apply the Voluntary Standards for backbilling of microbusiness energy customers. In order to satisfy differing customer needs, we operate two billing systems, one for domestic and SME customers, and one for larger Industrial and Commercial (I&C) customers. Both of these systems are used to bill customers that would be identified as microbusinesses.

For customers in our billing system which manages SME businesses, we deem all customers to be microbusinesses for the purpose of the back-billing limitation. This means that the limits are being applied to a number of customers where there is no requirement to do so. For customers managed in our billing systems intended for larger I&C customers, we seek to identify whether a customer is a microbusiness at the point we become aware a back-bill is required. If we are in any doubt as to the customer's status, we deem the customer to be a microbusiness. We therefore only apply the backbilling limitations to back-bills issued to customers that meet the following criteria:

- Total annual electricity consumption with EDF Energy as of 31 December 2014 is less than 100,000 kWh or,
- Total annual gas consumption with EDF Energy as of 31 December 2014 is less than 293,000 kWh.

Where large customers such as supermarkets, large retail, utilities or telecoms are identified and known to be beyond the full microbusiness definition, we will not apply the limit. We would propose to use the same process for identifying microbusinesses for the proposed back-billing limitation for smart and AMR meters.

When considering the treatment of microbusinesses, it also needs to be ensured that any characteristics associated with those consumers are taken into account. This is especially the case when considering whether the consumer is at fault for the backbill, and therefore whether the limit is applied. In our experience, a number of microbusiness customers have entered into direct contracts with Meter Operators for the provision of advanced metering. In such instances the supplier is totally reliant on the metering agents appointed by the customer for the provision of accurate and timely readings from the advanced meter to their billing systems. The supplier is also totally reliant on the accuracy of any metering data provided by the metering agents. Unlike a smart meter the supplier has no direct communications link to the meter to obtain this information.

Where the customer's appointed agents fail to provide such readings, or provide inaccurate metering data which affects billing, we do not believe that it would be reasonable for the backbilling limit to apply in same way as it would if the supplier operated the communications link. We believe that this must be recognised in any definition of the circumstances for which the customer would be deemed to be 'at fault'. This could be done by ensuring that the wording accounts for those circumstances where the customer 'or their agents' are at fault.



## **CHAPTER: Three**

### **Q1. Do you agree with our proposal for the duration of a smart backbill limit?**

The duration of any smart backbill limit should be determined by the level of detriment that consumers are exposed to as a result of backbilling. No evidence has been presented that the level of detriment resulting from a backbill will be different for a customer with a smart meter. Any backbilling limit should be based on an accurate assessment of consumer detriment rather than endeavouring to ensure specific performance standards. We believe that suppliers' performance in regard to backbilling will become a key feature of a smart meter based retail energy market.

Consumers will expect to see an improvement in the accuracy of their billing as a result of having a smart meter installed. The functionality afforded by smart metering should provide timely and accurate meter readings. It should also enable suppliers to identify and resolve problems affecting readings more quickly. We would expect the volume and duration of backbills that are issued by suppliers to significantly reduce once we have entered the mass deployment phase of the smart metering rollout and the DCC has achieved stable operation. The duration of the backbill limit may not need to change, but the risk of such a bill occurring should be greatly reduced.

We are concerned about operating two backbilling limits at the same time, and believe that this will be challenging from an operational perspective, as well as requiring complex logic to manage this within our billing systems. We are especially concerned about the additional complexity that will be introduced around backbilling for customers on fixed Direct Debits. We would need twelve months to be able to implement these changes to our systems and processes.

We agree that a three month limit on backbilling would not be appropriate at this time. Suppliers are still learning about smart metering and how best to change their processes to take advantage of the new functionality. We have also yet to see whether the DCC, on whom suppliers will be reliant for communication with the majority of their smart meters, will achieve the performance standards it has been contracted to deliver. The risk of socialising the cost of unbilled energy across all consumers through the application of a three month limit is too great.

### **Q2. Do you agree with our proposed implementation timescales?**

We have significant concerns regarding the proposed implementation timescales, and consider that from the publication of Ofgem's final decision, a twelve month lead time would be more appropriate. The current Joint Industry Plan (JIP) expects the DCC to go live August 2016. Making changes to backbilling at the same time as going live with the DCC presents significant risks, and could negatively impact the experience of customers who are having smart meters installed in the early stages of DCC operations.

The DCC systems represent a significant implementation of new and untested technology. As such, there are significant risks associated with the implementation of the DCC and the ensuing 'storm' period. Based on previous system implementations, we are also

concerned about the ability of the DCC to be able to cope with the significant ramp-up in volumes of smart meters that will occur post go-live, as parties escalate their installation rates to meet their rollout targets. The implementation timescales being proposed should only come into effect once the DCC is shown to be stable and able to handle the increasing volumes of smart meters that will be enrolled in its services. This is likely to mean a twelve month implementation timescale is more appropriate. This period will also allow suppliers to develop their operational experience of smart metering and the scenarios that give rise to backbills.

Whether the implementation timescales are reasonable is also dependent on how backbilling is defined and interpreted. As no alternative is proposed in the consultation, we assume that the definition of a backbill, and the energy that can be subject to a backbill, will be the same as is currently applied under the Code of Practice for Accurate Bills and the Voluntary Standards for backbilling of microbusiness energy consumers. If the intent is to make any material changes to the current definition of a backbill, this is likely to require more complex system and process changes to be implemented. The lead time required to implement such changes is expected to be twelve months. It needs to be recognised that suppliers are being placed under resource pressures as a result of the significant changes we need to implement in the next eighteen months, specifically for smart metering and Nexus. This means there is limited capacity to be able to cope with additional change and ensure that this is delivered in a robust manner.

If it is decided to implement the backbilling limits detailed in the consultation, we would not expect to implement the nine month backbilling limit set out in Energy UK's Smart Billing Commitments as an interim measure. This limit was agreed on the basis that it would remain in place for a longer period than is now proposed. We do not believe that it would be cost effective to implement two sets of system and process changes in a relatively short period of time. We would only look to implement any prescribed limit that ultimately results from this consultation process.

**Q3. Do you agree with our proposed scope of a smart backbill limit? If you disagree with specifics, please provide details.**

We have a number of concerns regarding the proposed scope of a backbill limit. We agree that customers should have a limit applied to backbilling where they are not at fault. The underlying assumption being made, however, is that where the customer is not at fault, their supplier is; this is clearly not the case. As previously noted, suppliers will be wholly reliant on the services provided by the DCC to be able to access functionality for the majority of their smart meters. Unlike other contracted agents, over whom the supplier has direct control; suppliers have a very limited ability to manage the performance of the DCC and address performance issues. It is not appropriate for suppliers to indemnify their customers against a failure of the DCC.

The role of the DCC must be accounted for more directly within the scope of the backbilling limit. Where suppliers are unable to issue backbills as a result of failures on the part of the DCC, it must be possible for suppliers to recover those costs from the DCC. This could be direct recovery in the form of liquidated damages, or indirect through reduced charges for DCC services. Ofgem has a critical role to play in this regard as they

will provide regulatory oversight not only of the performance of the DCC, but also the charges they apply for provision of their services.

As noted in our response to question 5, we believe that consideration as to whether the customer is at fault needs to take into account customer appointed metering agents. Many advanced meters installed at microbusiness premises will have such arrangements, and will not have been installed at the direction of the supplier. The limit also needs to account for other issues that are not caused by the end customer themselves, but by parties they have a contractual relationship with. For example, access to a meter may not be in the control of the customer but another party, such as the managing agent for their premises. If the supplier is not able to access the meter as a result of the managing agent preventing such access, then the backbilling limit should not apply.

We agree with the meter types that are proposed to be included in the scope of the smart backbill limit. Consumers need to be clear on whether the smart backbill limit will apply to their consumption. It is critical that consumers receive clear communication from suppliers, specifically on churn, as to whether they will be operating or intending to operate the meter as 'smart'.

We are concerned that applying the definition of an Advanced Domestic Meter to non-domestic consumers may be confusing and will create yet another definition of a 'smart' meter within the licence. Careful consideration will need to be given to how this will be defined and how this can be aligned with other similar requirements, such as those in the Operational Requirements licence conditions (Condition 49 in the electricity supply licence and Condition 44 in the gas supply licence). It will also need to be made clear whether the backbilling limits will apply to meters that are settled and billed on a half hourly basis that are installed in domestic/microbusiness premises.

We agree that the scope of the smart backbill limit should be restricted to the consumption on a smart meter. We also agree that consumers that have meters that are operated as prepayment, or who have fixed Direct Debit arrangements should be subject to the same level of protection as other customers. We do not believe, however, that sufficient consideration has been given to the detail of how a six month backbilling limit would apply for such customers, or the scenarios that may specifically affect those customers. We believe that further work is required in this area to ensure that the requirements for backbilling these customers are clear. The Code of Practice for Accurate Bills would be a more appropriate way to manage this detail, rather than licence obligations.

**Q4. If you are a supplier, do you agree with our assessment of the implications of the proposed backbill limit for your business?**

As detailed in our response to previous questions, we do not believe that the implications of implementing the proposed backbill limit on our business have been properly assessed. We believe the impact of these proposals is such that they should be subject to a robust and transparent impact assessment in accordance with Ofgem's statutory duties.

Without clarity on the responsibilities and liabilities of the DCC it is not possible to accurately assess the level of risk that these proposals would expose us to. We are concerned by the need to operate two backbilling limits at the same time, on the basis that this will be challenging from an operational perspective, as well as requiring complex logic to manage this within our billing systems.

The implementation of the DCC will present new challenges which we will not have experienced in relation to our existing smart metering portfolio. Our experience of implementing the Code of Practice for Accurate Bills demonstrated a need to manually review every potential backbill in the early stages. Only over time could we try and automate some of the processing around backbilling based on the leanings gained from this review. For smart metering, this may mean that we still have manual review processes in place when volumes start to ramp up, which will have implications on resourcing and therefore cost. We do not believe that Ofgem's analysis fully accounts for this impact.

The impacts on our systems and processes will also depend on how backbilling will be defined and interpreted in any new regulation. This is especially the case for fixed Direct Debits, for which the detailed requirements will need to be clearly defined. If this definition is the same as currently applied under the Code of Practice for Accurate Bills and the Voluntary Standards for backbilling of microbusiness energy consumers then the assessment would be more reasonable. However, if the intent is to make any material changes to the current definition of a backbill, this is likely to require more complex system and process changes to be implemented, which could incur significant costs.

We have identified a number of risks associated with the implementation of backbilling limits for smart meters, in addition to those identified within the consultation. We also consider the proposals will have the effect of preventing suppliers from fully recovering their costs should such risks crystallise. As a result we do not agree with Ofgem's conclusion that it need not conduct an impact assessment. In particular, the changes being contemplated and the risks resulting are clearly capable of having a "significant impact" on suppliers and/or consumers. Therefore, any such proposals should, consistent with Ofgem's statutory duty, be subject to a robust and transparent impact assessment. To do otherwise may lead to Ofgem misdirecting itself and implementing regulations that are disproportionate and unjust.

## **CHAPTER: Four**

### **Q1. Do you have any comments on our proposed approach to these objectives (on change of supplier, billing frequency and Direct Debits)?**

We agree with the proposed approach to change of supplier, billing frequency and Direct Debits. We believe that Ofgem should only seek to intervene where there is clear evidence that such intervention is required to protect consumers. As previously noted, we do not believe that such evidence exists as yet in relation to backbilling.

Customers with smart meters should expect to receive timely and accurate opening and final bills when they switch supplier. We raised BSC modification P302, and have also proposed an equivalent change for gas customers (SPAA change Proposal 15/301) in order

to ensure that appropriate processes are in place to facilitate this. Time should be given to enable the impact of these changes to be assessed before any further changes are considered. The switching process is also one that will undergo a significant amount of change in the next few years as a result of Ofgem's programme to implement next day switching under a new Centralised Registration Service. The impact of these changes will also need to be fully understood before any consideration is given to new or revised obligations around opening and closing bills.

We agree that billing frequency and Direct Debits are not areas that require intervention from Ofgem at this time. It is important to offer customers a range of billing frequencies to suit individual customer needs, and we will continue to innovate in this area based on feedback from customers. The availability of flexible billing arrangements can be a differentiator when consumers come to choosing their supplier; we should not be unnecessarily restricted in the choices that we offer to our customers.

**EDF Energy**  
**October 2015**