

2 October 2015

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

Dear Mr Schoonbaert,

Smart Billing for a Smarter Market – Consultation Response

Thank you for allowing us the opportunity to comment on the proposals contained within your Consultation Paper "Smart billing for a smarter market: our proposals". First Utility is pleased to submit the following observations.

General

We welcome any opportunity to promote accurate and timely billing for all our customers. The benefits presented by smart metering have the potential to revolutionise the industry by offering previously unattainable levels of convenience and functionality for both the industry and consumers.

We believe that, in time, smart metering (and the smart billing derived from it) will bring vast improvements to an area which has created challenges for many suppliers. It is a goal well worth the investment. We believe that time is a key ingredient of that investment. Time has already been invested in the creation of the infrastructure and systems needed for the forthcoming changes, but we would suggest that time must also *be* invested in the bedding-in of that new environment when it arrives before it can reasonably be said that customers will see improvements in billing performance. To expect immediate improvements alongside these changes will be to risk losing customer confidence in smart metering.

Specific Questions

Chapter 2 Question 1: Do you agree with our assessment of the risk of estimates and backbills in the smart future?

We agree that estimated bills and backbills will continue to be a risk in the smart meter future as outlined at 2.1-2.4 – particularly in the early stages of the smart meter roll-out. Suppliers will not know the true impact until the changes are in the implementation phase.

Timing is key to managing the risk. We would suggest that time needs to be invested in the bedding-in of the smart meter environment prior to the introduction of any reduced time limit. Whilst Ofgem have acknowledged the “teething problems” anticipated by consumers, and their quickly decreasing tolerance to billing problems after the installation of a smart meter, we would urge Ofgem not to underestimate the potential for disruption at *any stage* of the billing journey owing to issues beyond the timely collection of accurate meter readings. For example, a suitable bedding-in period would provide the six largest suppliers with an opportunity to cleanse their industry data so as to lessen the impact that data quality issues have on the smooth transition to accurate billing for an incoming supplier. You will be aware that we have previously lobbied Ofgem to call upon on the Big Six to improve the quality of their industry data. Nowhere is the impact of their poor data more significant than in the creation of timely bills following a change of supplier.

Added to this is the introduction of new internal systems and processes needed to facilitate the forthcoming changes across almost an entire customer base. We would propose that this creates a period of significant vulnerability that no amount of forward planning, or commitment on the part of suppliers to getting it right for customers, can entirely eradicate. You have eluded to this at 2.1-2.4. Once the transition to smart meters is complete, and a suitable bedding-in period has been allowed, we would suggest that suppliers would be far better equipped to implement the proposed shorter timescale.

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

A time limit on smart backbills will serve to incentivise suppliers to minimise delays in producing accurate bills though it is worth noting that suppliers are already committed to achieving a seamless billing journey. The existing back billing code, along with competition in the market place already provides incentive to suppliers. We do not agree that the proposed significantly reduced time limit is an appropriate *immediate* response during a period of change where additional factors, not necessarily connected with the benefits of smart metering, and not within our immediate control, may well determine a supplier’s ability to meet this time limit. As a *long term* response, we agree that such a time limit may be appropriate.

Chapter 2 Question 3: Do you agree with our proposal to implement such a time limit via licence obligations? If not, what alternative would you suggest?

We agree that universal coverage is important, but would urge Ofgem to consider that, bearing in mind the complexity and variety of issues that arise in this area, the inclusion of these provisions within the licence might prove challenging from a drafting perspective. Further, reliance on this alone may lead to uncertainty when interpreting the Condition in view of the complex and sometimes highly individual nature of the circumstances giving rise to back billing issues. We would be reluctant, therefore, to lose the opportunity to turn to the existing array of additional guidance in our interpretation and application of the underlying principles. By including specific and detailed provisions within the Supply Licence, we doubt that same level of support would be available. A principle-based approach, delivering a high level requirement that back billing for Smart Meters be limited to 6 months, but leaving the application of that requirement to suppliers, might be preferable.

Alternatively, we would have no objection to a Licence Condition requiring suppliers to subscribe to a Code, with a corresponding set of minimum expectations. Such an approach would encourage innovation and collaboration between suppliers. Existing and well-established forums would facilitate flexibility and ease of modification when required, as well as a support function to encourage well informed and consistent interpretation by all suppliers.

Chapter 2 Question 4: Do you have any comments on our proposal for suppliers to publish billing performance data for consumers with smart meters?

We consider that Ofgem's proposals are conducive to the Principles of openness and transparency embodied within the Standards of Conduct.

We have some hesitation in recommending that this publication requirement is introduced immediately. Initially, poor performance as a result of the inevitable complexity of the smart meter roll-out (already referred to elsewhere in our response) may present an unfair and distorted portrayal of the Smart Meter Initiative at a time when consumer confidence in the Industry is recovering. We would urge Ofgem to consider a greater bedding-in period to allow suppliers the opportunity to achieve "business as usual" or at the very least some degree of service consistency.

With suppliers operating very different systems behind the roll-out, and particularly in the early stages of data collection, it is also possible that the metrics produced by each supplier will not, at first, paint an accurate picture of performance to enable customers to compare like-for-like in the market place. For example, we produce monthly bills for our customers – more frequent billing than many of our competitors - and in the absence of a timely read, we would currently produce an estimated bill, notwithstanding that a customer read had been used in the generation of that bill. Any metric relating to the publication of late / accurate bills might produce a distorted picture of the impact on customers as against suppliers who bill less frequently. There must be the opportunity for data to be smoothed accordingly.

Chapter 2 Question 5: Do you agree with our proposed treatment of microbusinesses? Please provide details of any reasons why not.

We have no specific comments in relation to this question.

Chapter 3 Question 1: Do you agree with our proposal for the duration of a smart backbill limit?

See our response under Chapter 2 question 2. We feel that 6 months is a worthy aspirational target but we are concerned at the prospect of the challenges introduced by a reduced time limit at such close proximity to the introduction of Smart Billing across the Industry without a suitable bedding-in period and without a commitment from the Big 6 to achieve higher standards of data quality.

Chapter 3 Question 2 :Do you agree with our proposed implementation timescales?

Your proposal of 6 months after a final decision point is unclear. Assuming that Ofgem were in a position to make a final decision in November 2015, operation of the new timescale might begin as early as May 2016. Please see our comments in relation to the possibility of a suitable bedding-in period.

Chapter 3 Question 3: Do you agree with our proposed scope of a smart backbill limit?

Your proposal to include, within the scope of the time limit, smart meters with intermittent remote communications is of interest. Your proposal for a reduced time limit is based largely on the availability of a reliable stream of data from a smart meter. The impact of the challenges faced in identifying individual meters from month to month, and implementing a workaround within your proposed shorter time-frame over an, as-yet, unquantifiable number of potentially affected meters, might be significant.

Chapter 3 Question 4: If you are a supplier, do you agree with our assessment of the implications of the proposed backbill limit for your business?

As a general comment, we are concerned that any attempt to identify the potential cost implications will be of limited value with the introduction of a process on such an unprecedented scale.

Chapter 4 Question 1: Do you have any comments on our proposed approach to these objectives (on change of supplier, billing frequency and Direct Debits)?

We have no additional comments.



We await the outcome of your Consultation process, but please do not hesitate to contact us in the meantime should you have any further queries, or should you require any additional information.

Yours sincerely,

A handwritten signature in black ink that reads "M Henschley".

Malcolm Henschley

Head of Legal and Regulation Compliance