

The Company Secretary

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

Date: 22 June 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 grant British Gas Trading Limited (company number 3078711, the “**Licensee**”), a temporary and limited derogation from various elements of standard condition (SLC) 31A of its electricity and gas supply licences. This derogation will enable the Licensee to conduct a trial of a new version of its bill for domestic gas and electricity customers.

The relevant Directions are attached and will be published. They shall be effective from 15 July 2016 and shall 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 Directions. Capitalised terms used in this letter, which are not defined herein, have the meaning given to them in the standard licence conditions (SLC) of gas and electricity supply licences.

Background to the Derogation Request

The Authority received a written application from the Licensee 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.

The Licensee has indicated that some of its customers consider the existing bill to be complicated and difficult to understand. It considers that it is partly due to the amount of information that needs to go into bills. Considering its customers’ concerns, the Licensee conducted further qualitative and quantitative research on how to make bills clearer and simpler for customers.

Based on the outcome of the

research, the Licensee indicates that it has designed its new bill to improve consumer engagement. Without derogations from the licence conditions above, the licensee would not be able to conduct a real-world trial which it considers essential to help it better understand how customers will respond to the new bill.

In order to proceed with the trial, the Licensee requests derogations from the following licence conditions to allow the changes it has made to the text and ordering of information in the trial bill:

- SLC 31.4 (Gas) which requires the Licensee to include an explanation of the basis on which the amount of gas consumed by a domestic consumer is calculated from the quantity of gas supplied and details of any adjustment made in relation to a Temperature and Pressure Conversion Factor. The Licensee wishes to provide gas consumption and the relevant charges on the trial bill without details of the calculation. The licensee relies on evidence from its research suggesting that some consumers do not need the details of the calculations. The Licensee proposes to simplify the bill by providing a web link and telephone number on the bill that will enable interested consumers to access the calculations. The Licensee also proposes to state in the trial bill that it will provide the information free of charge to any consumer who is interested in the details of the calculations.
- SLC 31.7(b) which requires the Licensee to inform each of its Domestic Customers how the Energy Consumer Guidance and the Concise Guidance can be accessed and to include this information in each Bill sent to a Domestic Customer in relation to Charges for the Supply of Gas or annually if the licensee has not sent such a Bill to the consumer. The licensee does not wish to reference on the trial bill, how consumers can access the "Concise Guidance". It proposes to reference how to contact Citizens Advice.
- Paragraph S1.1 of Schedule 1 to SLC 31A which requires the licensee to ensure that a "Could you pay less?" is displayed in a box on the first page of every Bill, and Paragraph S1.3 of Schedule 1 to SLC 31A which requires the licensee to include a title with the exact text "Could you pay less?". The Licensee proposes to replace the heading with "Could I pay less?" [REDACTED]
- Paragraph S1.10 of Schedule 1 to SLC 31A which requires the licensee to include a statement to the effect that the Domestic Customer can access more information about their Tariff or Tariffs on the second page of their Bill or statement of account. [REDACTED]
- SLC 31A.2(f) which requires the Licensee to provide the Domestic Customer's Tariff Comparison Rate (TCR), where applicable, and Paragraph S3.4 of Schedule 3 to SLC 31A which requires the Licensee to include a title with the exact text "About your TCR". The Licensee indicates that the trial bill will include the same TCR information without the heading.
- SLC 31A.2(g) which requires the following exact text: "Remember – it might be worth thinking about switching your tariff or supplier" to be provided in the Bill and from Paragraph S1.9 of Schedule 1 to SLC 31A which requires the licensee to include a switching reminder with the exact text: "Remember – it might be worth thinking about switching your tariff or supplier". The Licensee indicates that the trial bill will include prominent and clear wording to remind customers about switching tariff or supplier and proposes not to use the phrase "Remember – it might be worth thinking about switching your tariff or supplier".
- SLC 31A.2(l) which requires the Licensee to provide clearly visible, Optical Label containing each of the Relevant Data Items for Gas in such a manner that, when scanned

with a Relevant Device (in conjunction with a separate software program or otherwise), the Relevant Data Items for Gas are loaded on to the Relevant Device in accordance with the Specified Sequence without any requirement for the Domestic Customer to input further information into the Device. The Licensee proposes not to include an Optical Label as a way of simplifying the bill.

- Paragraph S2.1 of Schedule 2 to SLC 31A which requires the licensee to ensure that an “About your tariff” label is displayed in a box on the second page of every Bill, and Paragraph S2.4 of Schedule 2 to SLC 31A which requires the licensee to include a title with the exact text “About your tariff”. The Licensee indicates that the trial bill will include

[REDACTED]

The Licensee indicates that it has considered the importance of ethics and consumer protection, and has designed the trial to mitigate any risks to customers. The Licensee also indicates that it has reviewed the design of the trial against the criteria set out by Ofgem in our 7 March 2016 open letter.¹

The trial will not include the Licensee’s white label customers, customers receiving their final bill, customers whose bills cover a tariff or meter change, customers receiving bills in an alternative format including Braille and online bills, customers receiving monthly bills and customers going through probate. The Licensee considers that this will help it ensure that the trial provides robust insight while protecting the welfare of consumers, including the interests of vulnerable consumers.

The Authority’s Decision

Having regard to our principal objective and statutory duties,² and based on the information submitted by the Licensee, we consider that granting a derogation to allow the Licensee to proceed with the trial to test consumer engagement with its new bill does not undermine the objectives of retail market policies, in particular the objective of clearer information.

The Retail Market Review (RMR) rules were introduced to increase consumer engagement in order to stimulate competition in the energy market. In this case, we do not consider that the changes proposed by the Licensee will hamper the consumer decision-making process and the RMR objective of clearer information to help consumers make informed choices. We are currently considering provisional remedies for the retail energy market proposed by the Competition and Markets Authority (CMA). In light of this, we have indicated in our open letter 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 has indicated that it will share the results of the trial with Ofgem, which could assist our policy development as we consider making changes in this area as part of our implementation of the CMA remedies and our policy to rely more on principles in the way we regulate the retail market.³

¹ See Ofgem open letter on “Improving consumer communications and the value of trials” https://www.ofgem.gov.uk/system/files/docs/2016/03/improving_consumer_communication_and_the_value_of_trials.pdf

² Including, amongst other things, our duty to protect consumer interests, promote competition and consider the need to contribute to the achievement of sustainable development.

³ 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

Therefore, the Authority grants the Licensee a temporary derogation from Paragraph S1.1 of Schedule 1 to SLC 31A, Paragraph S1.3 of Schedule 1 to SLC 31A, Paragraph S1.10 of Schedule 1 to SLC 31A, Paragraph S3.4 of Schedule 3 to SLC 31A, SLC 31A.2(g), Paragraph S1.9 of Schedule 1 to SLC 31A, Paragraph S2.1 of schedule 2 to SLC 31A, and S2.4 of schedule 2 to SLC 31A of its gas and electricity supply licences in respect of its trial of its new billing format in [REDACTED] with effect from the date of, and subject to the terms of, the attached Directions.

We are not granting a derogation from SLC 31.7(b) and SLC 31.4. There are no provisions in the licence conditions that allow the Authority to grant derogations from these licence conditions. We consider that it is important that the Licensee informs consumers participating in the trial how they can access the Energy Consumer Guidance and the Concise Guidance and that this information is included in the trial bill in relation to Charges for the Supply of Gas as required by SLC 31.7(b). Regarding SLC 31.4, we are content with the Licensee's proposal to provide a link and a telephone contact in the trial bill to allow interested consumers to get the detailed breakdown of how the amount of gas they have consumed is calculated. We expect the Licensee to ensure that the explanation provided either via the link or telephone contact is clear and allows interested consumers to understand the basis on which the amount of gas they have consumed is calculated from the quantity of gas supplied and details of any adjustment made.

We have also decided not to grant a derogation from SLC 31A.2(l). We consider that the requirement to provide consumers with an Optical Label containing each of the Relevant Data Items for their energy supply has only been implemented recently. We would want to undertake a formal evaluation of its impact before considering any flexibility around this obligation.

We would like to 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 request, please contact my colleague, Jibirila Leinyuy on 0203 263 9624.

Yours faithfully,

Neil Barnes

Associate Partner, Consumers & Competition

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

ATTACHMENT 1: Electricity Supply Licence

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

Direction issued to British Gas Trading Limited (company number 3078711, the “Licensee”) by the Gas and Electricity Markets Authority (the “Authority”)

1. The Authority issues this direction 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.
2. Capitalised terms used in this Direction which are not defined in this Direction shall have the meaning given to them in the Licence.
3. 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.
4. The considerations and rationale of the Authority’s decision are set out in the accompanying letter to the Licensee, dated 22 June 2016.
5. Subject to the conditions in this Direction, including the Schedule hereto, the Authority directs that in relation to the Billing Trial only the Licensee is relieved on a temporary basis of certain obligations of its Licence, as described in the Schedule hereto.
6. The Licensee is required to report any change of circumstances relevant to this Direction to the Authority without delay.
7. In this Direction, “Billing Trial” means the Licensee’s proposed trial of a new billing format in [REDACTED], as described in the Licensee’s letter to the Authority of 31 March 2016, with a trial group of 30,000 customers and a control group of the same size.
8. This Direction shall be effective from 15 July 2016 and shall remain in force until and including 30 November 2016, unless revoked earlier or varied in writing by the Authority.

Dated: 22 June 2016

Neil Barnes

Associate Partner, Retail Markets

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

Schedule – Derogations from electricity supply Standard Licence Conditions

Area	Standard Condition	Effect of derogation direction in respect of the Billing Trial
Cheapest Tariff Messaging (CTM) location	S1.1 of schedule 1 to 31A SLCs 31A.1 and 31A.6	The Licensee is permitted to display the prescribed CTM information on [REDACTED] sent to the target group.
CTM heading	S1.1 and S1.3 of schedule 1 to 31A SLCs 31A.1 and 31A.6	The Licensee is permitted to use the alternative CTM heading “Could I pay less?” instead of the prescribed heading “Could you pay less?” on trial bills sent to the target group.
Prompt about tariff information	S1.10 of Schedule 1 to 31A SLCs 31A.1 and 31A.6	This paragraph is disapplied in respect of the trial bills sent to the target group, such that the Licensee is not required to include a statement to the effect that the Domestic Customer can access more information about their Tariff or Tariffs on the second page of their Bill or statement of account.
Tariff Comparison Rate Heading	S3.4 of schedule 3 to 31A SLCs 31A.1 and 31A.6	The licensee is permitted to not display the title “About your TCR”
Switching reminder	SLC 31A.2(g) S1.9 of schedule 1 to 31A SLCs 31A.1 and 31A.6	The Licensee is permitted to use alternative wording to the phrase, “Remember – it might be worth thinking about switching your tariff or supplier” on trial bills sent to the target group, provided that such alternative wording is prominent and clear and reminds customers about switching tariff or supplier.
Tariff summary box location	S2.1 of schedule 2 to SLC 31A SLCs 31A.1	The Licensee is permitted to display the prescribed tariff summary box [REDACTED] of the trial bills sent to the target group.

	and 31A.6	
“About your Tariff” heading	S2.4 of schedule 2 to SLC 31A SLCs 31A.1 and 31A.6	The Licensee is permitted to use the alternative heading [REDACTED] instead of the prescribed heading “About Your Tariff” on trial bills sent to the target group.

ATTACHMENT 2: Gas Supply Licence

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

Direction issued to British Gas Trading Limited (company number 3078711, the “Licensee”) by the Gas and Electricity Markets Authority (the “Authority”)

1. The Authority issues this direction 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.
2. Capitalised terms used in this Direction which are not defined in this Direction shall have the meaning given to them in the Licence.
3. 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.
4. The considerations and rationale of the Authority’s decision are set out in the accompanying letter to the Licensee, dated 22 June 2016.
5. Subject to the conditions in this Direction, including the Schedule hereto, the Authority directs that in relation to the Billing Trial only the Licensee is relieved on a temporary basis of certain obligations of its Licence, as described in the Schedule hereto.
6. The Licensee is required to report any change of circumstances relevant to this Direction to the Authority without delay.
7. In this Direction, “**Billing Trial**” means the Licensee’s proposed trial of a new billing format in [REDACTED], as described in the Licensee’s letter to the Authority of 31 March 2016, with a trial group of 30,000 customers and a control group of the same size.
8. This Direction shall be effective from 15 July 2016 and shall remain in force until and including 30 November 2016, unless revoked earlier or varied in writing by the Authority.

Dated: 22 June 2016

Neil Barnes

Associate Partner, Retail Markets

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

Schedule – Derogations from gas supply Standard Licence Conditions

Area	Standard Condition	Effect of derogation direction in respect of the Billing Trial
Cheapest Tariff Messaging (CTM) location	S1.1 of schedule 1 to 31A SLCs 31A.1 and 31A.6	The Licensee is permitted to display the prescribed CTM information on [REDACTED] trial bills sent to the target group.
CTM heading	S1.1 and S1.3 of schedule 1 to 31A SLCs 31A.1 and 31A.6	The Licensee is permitted to use the alternative CTM heading “Could I pay less?” instead of the prescribed heading “Could you pay less?” on trial bills sent to the target group.
Prompt about tariff information	S1.10 of Schedule 1 to 31A SLCs 31A.1 and 31A.6	This paragraph is disapplied in respect of the trial bills sent to the target group, such that the Licensee is not required to include a statement to the effect that the Domestic Customer can access more information about their Tariff or Tariffs on the second page of their Bill or statement of account.
Tariff Comparison Rate Heading	S3.4 of schedule 3 to 31A SLCs 31A.1 and 31A.6	The licensee is permitted to not display the title “About your TCR”
Switching reminder	SLC 31A.2(g) S1.9 of schedule 1 to 31A SLCs 31A.1 and 31A.6	The Licensee is permitted to use alternative wording to the phrase, “Remember – it might be worth thinking about switching your tariff or supplier” on trial bills sent to the target group, provided that such alternative wording is prominent and clear and reminds customers about switching tariff or supplier.
Tariff summary box location	S2.1 of schedule 2 to SLC 31A SLCs 31A.1	The Licensee is permitted to display the prescribed tariff summary box [REDACTED] of the trial bills sent to the target group.

	and 31A.6	
“About your Tariff” heading	S2.4 of schedule 2 to SLC 31A SLCs 31A.1 and 31A.6	The Licensee is permitted to use the alternative heading [REDACTED] instead of the prescribed heading “About Your Tariff” on trial bills sent to the target group.