



Business Energy Direct
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Re: April 2017 Open Letter on backbilling

Dear Jeremy,

Further to your open letter we have already been engaging with several key members of the OFGEM team with regards to supplier backbilling and you have data and a number of cases studies available to use as examples. Our engagement has been over email so I have extracted information from the exchanges so that you are able to formally publish the content.

The key area discussed was:

Update from Ofgem: Ofgem is launching a project on back-billing. We issued an open letter on 3rd April on whether we should impose specific limits on back-billing duration when the supplier is at fault and whether such a limit should apply to non-domestic consumers.

<https://www.ofgem.gov.uk/publications-and-updates/open-letter-notifying-our-intention-launch-project-protect-consumers-back-billing>

Feedback provided is in relation to Non-Domestic customers only and should apply to both micro-business and non-micro business.

Business Energy Direct believe that it's important that OFGEM understand how suppliers operate when dealing with back billing cases. I'm not sure what OFGEMs actual expectations of the suppliers are in relation to such and if the belief is that the voluntary code is being applied consistently and in a uniform manner by suppliers, but it simply isn't. In around 70% of cases the back billing code isn't being applied at all when suppliers release an invoice that would qualify for such.

We are finding it necessary to remind suppliers of their commitment (based on the published voluntary code) and challenge them frequently, something that can take many hours to conclude when they finally agree to remove part of the back dated invoice charges. Some of these cases are even being sent to the Ombudsman and suppliers do what they can to close down the cases internally, in the hope that a customer will simply give up and pay up.

In addition we have already reported what we believe is abuse of the code to the code manager and Kerry LeVan at Energy UK. We have been made aware that some suppliers have created specific teams internally to look for accounts that are approaching a 12 months unbilled period (only a few of the smaller suppliers haven't committed to a 12 month period) and are tasked with generating invoices so that a supplier can prevent the code being applied, the result of which is retained revenue.

The issue here is that invoice values aren't really based on any factual information, with readings simply being fictitious or deliberately inflated estimates which then increases the overall back bill value. It's a crafty trick because the supplier can then go a further period without billing (having not resolved the actual billing problem) before finally resolving whatever the billing problem may be. The supplier knows that the back billing code would then only need to be applied in the event that the invoice value **increases**. Any decrease on a previously (and deliberately) higher invoice amount removes the need to apply the code. It would be naïve of OFGEM to think that this isn't already happening in the industry.

Given the reasons outlined, we are launching a project with the aim of protecting consumers from excessive back billing time limits. At a high-level the project will consider:

- *the types of consumers any new licence obligations will need to protect (i.e. domestic alone or both domestic and non-domestic)*



All customers need to be protected from this. Why would one particular class of customer deserve this more than another? The present criteria that separates Micro and Non-Micro Business is simply inadequate and leads to supplier complacency. Whilst there may need to be different regulations in relation to domestic customers, all non-domestic customers should be treated equally in respect of supplier obligations and expectations when it comes to back billing and complaints governance

- *whether it is appropriate for different limits to apply for consumers with differing metering technology*

Possibly. There should be no reason why a customer with a functioning smart / AMR meter would need to be subject to a back bill of more than 3 months unless the circumstances are exceptional. This would encourage suppliers to ensure that communications links remain live with the meters (many MOPs cancel the sim cards when they are de appointed therefore commercial arrangements between the suppliers and MOPs impacts on the ability to invoice customers appropriately). If a supplier isn't able to exchange data flows and release invoices in a 3 month period post supply transfer or change of occupancy, then we would question why they would be granted a supply licence in the first place.

The industry has been operating for many decades and traditionally suppliers visited site every 3 months to gain a meter reading. In our opinion suppliers would, in most instances, have enough historical data available for established premises to enable them to appropriately estimate charges where readings aren't available, yet every day we see big swings in invoiced charges from one period to the next, with no justification for this. Mostly, the evident randomness of spurious invoices is due to supplier systems not being configured appropriately (The impact of SAP being implemented by Scottish Power, Npower and British Gas being an example).

For the most part an excel spreadsheet can approximate a meter reading on a specific date, providing the correct data is input and formula set correctly. If it can be done in excel then we'd expect that a £200 million billing system should, yet they simply don't. We blame lack of diligence on supplier part for this.

We would like to see back billing for all customers without smart / AMR meters limited to a maximum of 6 months, with certain caveats in place to ensure fairness to all parties. A supplier should ensure that they take all reasonable steps to obtain meter readings during the period (email, phone calls and letters as well as at least one attempt to read the meter manually) and customers should make an effort to submit readings at least once during the 6 month period. If the supplier fails to do so but the customer has provided the information, then the code should apply for any period invoiced beyond 6 months. Where the customer hasn't made any effort to provide a reading, the supplier should be exempt from having to apply the code providing they can evidence their attempts to obtain one.

Whilst for the most part large back bills are a result of supplier failings, customers can and should do more to enable their account to be managed appropriately. The one thing that we haven't mentioned regarding customers submitting readings from standard meters, is the fact that the meters themselves can be difficult to read and understand.

There are dozens of types of digital meter out there and each has its own display cycle, with customers often not knowing that there can be multiple registers or which registers would be used for billing purposes. Clearly not every customer can be trained to understand the complexity of the meters, therefore any contact with a supplier and an attempt to provide a meter reading should be deemed as making the required effort (even if it transpires that the information provided isn't an applicable reading) and therefore places onus back on the supplier to ensure that they have taken the required steps.

Hopefully you find this feedback useful and can take it into consideration along with that you will receive from others.

Yours sincerely,

Simon Askew
Managing Director