

Jeremy Adams-Strump
Policy Manager
Ofgem

4 May 2017

Dear Jeremy,

Energy UK response to Ofgem's Open Letter which proposes introducing new licence obligations for back billing

Energy UK is the trade association for the GB energy industry with a membership of over 90 suppliers, generators, and stakeholders with a business interest in the production and supply of electricity and gas for domestic and business consumers. Our membership encompasses the truly diverse nature of the UK's energy industry from established FTSE 100 companies' right through to new, growing suppliers and generators, which now make up over half of our membership.

This letter puts forward Energy UK's response to the open letter on back billing dated 3 April 2017. In this, Ofgem notifies of the intention to launch a project to examine the regulatory framework governing back billing, with a view to introducing new licencing obligations. Energy UK welcomes the opportunity to respond on this topic and following consultation with our members, a number of aspects for consideration are set out below.

Domestic back billing

Energy UK members have discussed Ofgem's proposal to introduce licence obligations. However, members have concluded that it is difficult to analyse this proposal, without further information from Ofgem regarding the perceived issues set out in the open letter. Energy UK would therefore like to request this information, which may include for example, evidence relating to back-billing complaints (such as volume of cases) and case-studies outlining the specific back-billing issues that have led Ofgem to believe intervention is required.

As previously noted, and as shown in the appendix to your letter, there is existing commitment from 83% of suppliers to apply twelve-month back-billing limits (or less) voluntarily. Energy UK therefore suggests that, before licence options are progressed, Ofgem carefully assesses supplier positions and actions in greater detail to determine the proportionality of any proposals.

Should Ofgem subsequently decide to move ahead with a licence obligation, Energy UK would welcome the opportunity to work closely with Ofgem as it further develops its proposals.

Impact on the Code of practice for accurate bills

As you are aware, the Code of Practice for Accurate Bills ("the Code") currently incorporates a voluntary back billing limit. It also sets out wider minimum standards for signatories in relation to billing. The Code is a recognised standard by the Ombudsman and Citizens Advice and has evolved over the last 10 years as different issues have arisen and past issues have been resolved.

Significant and collaborative progress has been made to date in relation to back billing via the Code and Energy UK has worked hard to gather voluntary consensus so far. As 'owner' of the Code, we

additionally maintain a positive working relationship with both suppliers and consumers, providing guidance or advice in relation to back billing.

As previously discussed with Ofgem, a licence obligation could have negative effects on the Code, and could undermine the value of other voluntary codes and their intent to help protect consumers. We note that a licence obligation could lead to unintended consequences whereby it would be harder to obtain signatories to other aspects of the Code and would reduce the incentive on current Billing Code members to retain membership.

We currently anticipate that should a licence obligation be introduced, the voluntary back-billing clause would likely be removed from the Code. The intention of the Code is to provide assurance around aspects of billing not directly addressed by the supply licence, not simply to replicate existing requirements. This would mean that back-billing controls and processes would no longer be subject to the annual Code Audit.

The future of Energy UK's supporting [back-billing scenarios document](#) would also need to be considered. We believe it would no longer be appropriate for Energy UK to update the scenarios document, as this would be offering an interpretation of a licence condition.

Microbusiness back billing

In relation to a licencing obligation on back-billing microbusiness customers, the majority of Energy UK members do not believe this is required at this time. We would therefore again ask Ofgem to provide evidence of any potential detriment to justify regulatory intervention. Members would also like Ofgem to consider whether it is necessary for microbusiness customers to be treated in the same manner as domestic consumers in relation to back billing.

With this in mind, and given that most non-domestic suppliers have already sufficiently committed to the voluntary standards relating to microbusiness back billing; we believe Ofgem's focus should be on engaging and promoting the existing voluntary standards, rather than introducing new obligations at this time.

Legal considerations

A question has also been raised regarding the legal vires for Ofgem placing a licence obligation on back billing. It would be helpful for Energy UK and its members to understand further from Ofgem the powers it believes would enable this course of action.

Related issues

As previously noted in our response to the 'Smart Billing for a Smarter Market' consultation, we would like to remind Ofgem that the majority of Energy UK members are currently voluntarily committed to adopting a six-month back-billing limit, although associated impacts in relation to implementing this limit in a 'smart world', are still relatively unknown. This six-month limit is also subject to necessary operational infrastructure being in place and stable following the DCC go-live. Delays with the DCC go-live have therefore affected supplier action in this area. In relation to micro business, the majority of relevant suppliers believe that a twelve-month back billing limit is currently sufficient.

Suppliers believe that the system changes required to implement back billing arrangements are likely to be complex and costly. In order to reduce back billing limits, supplier systems need to differentiate

between customers with smart and traditional meters - although as previously noted, some suppliers already have plans underway to alter their systems and processes. One pertinent issue to raise however, is that suppliers are currently unaware of how the DCC will operate with their systems and it is therefore difficult to prepare scenarios and outline any potential issues.

Additionally, different supplier systems will interact with the DCC in different ways. This is why members believe that implementing reduced back billing before end-to-end testing is complete would be a significant risk. Earlier implementation could also increase the number of complaints received. Energy UK therefore recommends an impact assessment of the benefits and impacts that early back-billing would provide and an evidence base for why early implementation is necessary.

Energy UK supports Ofgem in identifying billing as an area for suppliers to improve and get right from early on in the smart meter rollout. This includes minimising estimated bills and reducing back-billing occurrences and limits. Energy UK and its members are continually committed to reducing estimated bills and billing errors going forward. It is agreed that estimated bills and back-bills will continue to be a risk within a smart meter world, particularly in the early days of the rollout, but with significant reductions overall.

We hope the aspects covered in this letter will aid Ofgem's consideration as it launches its project and considers introducing new licence obligations. Energy UK are happy to discuss any of the points raised in this letter in further detail where beneficial.

Yours sincerely,

Helen K Thomas
Operations & Policy Manager

Energy UK