

## BUDGET ENERGY CONSULTATION RESPONSE

### Backbilling in the NI Retail Energy Market – Utility Regulator Consultation

#### 1. Introduction

Budget Energy welcomes the opportunity to comment on the Utility Regulator's (UR) consultation on Backbilling in the NI Retail Energy Market.

Budget Energy fully understands that the issue of Backbilling is sensitive and has the potential to cause financial hardship. For many customers receiving an additional or updated bill for energy which has not been correctly charged will cause additional stress and inconvenience.

Likewise all suppliers want to bill customers in an accurate, timely and fair manner. It is not in the business interest of a supplier to issue backbills to recoup the cost of energy that has been incorrectly charged. In addition to financial implications for the business this can lead to lower customer satisfaction, complaints and ultimately customers choosing to switch to another supplier.

Budget Energy recognises that billing issues represent a high proportion of complaints dealt with by the *Consumer Council for Northern Ireland* on an annual basis (i.e. 35% of electricity complaints and 42% of gas complaints). However, further analysis is required to determine the actual proportion of these complaints that relate specifically to backbilling – it is our view that this would represent a much smaller proportion of overall billing complaints. As stated in the consultation paper the number of backbills recorded for domestic credit consumers remains relatively low at around 400 in 2017.

Budget Energy accepts that backbilling has been an ongoing focus for the UR and this consultation builds on previous engagement with stakeholders, consumers and energy sector. As part of our response to the Utility Regulator's review of the '*Consumer Protection Strategy and proposed new Consumer Protection Programme*' we suggested that alongside this work programme on backbilling the Review of GSS (Year 3 Project) is also progressed. This has been on the 'good to do' list for some time and with market changes and developments in terms of consumer behaviour it may be beneficial to focus on this action as part of the planned programme delivery.

#### 2. Response to Consultation Questions

Consultation Question	Budget Energy Comments
<b><i>Q1. Do respondents agree that where this consultation has an impact on the groups listed, those impacts are likely to be positive in</i></b>	No Comment Provided. No perceived negative impact for groups listed as part of the equality impact considerations. (Q1 and Q2)

<b><i>relation to equality of opportunity for energy consumers?</i></b>	
<b><i>Q2. Do respondents consider that the proposal around backbilling needs to be refined in any way to meet the equality provisions? If so, why and how? Please provide supporting information and evidence.</i></b>	
<b><i>Q3. Do respondents agree that any limit to backbills for gas and electricity should be 13 months for gas and electricity?</i></b>	<p>Budget Energy accepts the rationale provided in relation to applying a 13 month time limit on backbilling (which links to full settlement of the wholesale market). This is the default position but it is essential suppliers are provided with additional protection to allow for backbilling (and recoup cost) beyond 13 months for scenarios which are deemed 'customer fault'.</p> <p>Although generally supportive of the backbill time limit being extended across the microbusiness sector we would raise the point that NI Water can back bill (for non-domestic customers) up to 18 months. We would question whether there should be regulatory consistency for businesses across all utilities in relation to backbilling.</p>
<b><i>Q4. Do respondents agree that any limit to backbills should be applicable to both domestic consumers and microbusinesses?</i></b>	<p>Budget Energy believe this is an area which requires further investigation and analysis. We accept that many small/micro businesses face similar difficulties as domestic consumers in terms of engaging with or understanding the energy market.</p> <p>However, it is important to recognise there are different legal and regulatory conditions that apply to both domestic and commercial customers. In addition, different consumer protection legislation and standards apply to domestic consumers as opposed to commercial customers.</p> <p>Therefore, although convenient to group domestic and microbusinesses together it is important to fully understand differences in terms of the legal, regulatory and protection frameworks which exist.</p>
<b><i>Q5. Do respondents believe that Ofgem's definition of "customer fault" is applicable to NI energy market? If not, please provide clear rationale why or identify what additional factors / scenarios should be considered</i></b>	<p>For all suppliers this will be a key consideration. It is important to balance the consumers right (to be billed accurately) against the consumer responsibility to act lawfully, pay for energy used and facilitate the accurate and timely reading of meters.</p> <p>Budget Energy is in agreement that a supplier should not be liable and the backbill limit should not apply when customer has:</p> <ol style="list-style-type: none"> <li>1. Not complied with repeated demands for payment</li> <li>2. Behaved obstructively or manifestly unreasonably</li> <li>3. Behaved unlawfully</li> <li>4. Prevented access to the meter</li> </ol> <p>As high level principles (licence conditions) these points represent a good starting point. However, it will be important to define what the principles such as 'behaving obstructively' or 'unreasonably'</p>

	<p>actually mean in practice. This will provide clarity for the consumer and ensure suppliers act in a consistent and appropriate manner.</p> <p>It is the case that different laws, standards, regulations and legislation apply to commercial customers as opposed to domestic customers. This could impact on the determination of what constitutes acting unlawfully, obstructively or unreasonably and reinforces the point made previously on the need to fully understand the difference between domestic and commercial sector for the purpose of backbilling.</p>
<p><b>Q6. Do respondents agree that any limit to backbills should be applicable to all payment types?</b></p>	<p>Yes, although less likely to be an issue for PaYG customers the backbill limit should apply across all payment types.</p>
<p><b>Q7. Can respondents outline the expected cost faced by suppliers to implement the system and organisational changes required to administer a limit on backbills?</b></p>	<p>Further work would be required to fully understand the cost to implement the system and organisational changes required to support the proposed change in backbilling. Given the commercial sensitivity of cost and system changes this is something Budget Energy would be willing to explore in further detail directly with the UR.</p> <p>At an overarching level though key cost consideration would include a significant re write to existing IT and billing system, staff training and support as well as informing all customers of changes to their Terms and Conditions</p>
<p><b>Q8. For electricity, in situations where the implementation of a backbill limit will result in the supplier facing use of system charges beyond the period of the backbill, and the supplier is not at fault, how do respondents believe this should be dealt with?</b></p>	<p>Ultimately there should be a system which is fair and consistent to all. In situations where a supplier is not at fault but cannot apply a backbill then they should not face use of system charges.</p> <p>We understand the UR intends to examine the issues which need to be addressed within the energy market as part of the next set of network price controls.</p> <p>.</p>
<p><b>Q9. How, and to what extent, do respondents believe these issues can be mitigated in order implement a backbill limit that ensures no customer is billed for energy consumed over 13 months prior?</b></p>	<p>The consultation paper sets out a key risk faced by suppliers in terms of customers being charged for energy consumed over 13 months in situations where there has been a prolonged period of estimated reads followed by an actual read.</p> <p>In order to support accurate billing it is important to ensure timely meter reads. NIE have a target to obtain a meter reading for 99.5% of customers once a year. However, in 2017, 9.0% of business market and 8.1% of domestic market had meters that went unread.</p> <p>The failure of NIE to meet its performance standard places an additional burden on suppliers to obtain an accurate meter reading and places both the supplier and consumer at risk of a backbill situation developing.</p> <p>We understand the focus of this consultation is to address the issue of backbilling from a 'customer perspective'. However, the issues which continue to exist in the energy market between suppliers and network companies in terms of meter reads, cost, time limits and</p>

	<p>responsibilities needs to be addressed as part of an overall backbilling strategy.</p> <p>We note the UR has referenced this issue in the consultation paper with a recognition of the issues which need to be addressed within the energy market. The UR has committed to ensuring the issue of costs and incentives associated with meter reading and metering faults which cause backbilling will be addressed in the next set of network price controls.</p> <p>Suppliers and presumably the wider energy industry would welcome early engagement in order to contribute to the approach and focus of this work programme. This work will also need to consider the roll of smart meters in ensuring the accurate monitoring and reporting of energy use which could reduce the need to issues backbills.</p>
<p><b><i>Q10. Do respondents agree that any limit on backbills should be enforced through the creation of a new licence condition?</i></b></p>	<p>To ensure clarity and consistency across the energy market Budget Energy are in agreement that the creation of a new licence condition (as has happened in GB) is likely to be most appropriate.</p>

For any questions relating to this response please contact Jason McKnight on email [jason.McKnight@budgetenergy.co.uk](mailto:jason.McKnight@budgetenergy.co.uk) or by phoning 0800 012 1177.

Your Sincerely,

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