



New Supplier Code of Practice on Bills and Statements

October 2016

1. Introduction

- 1.1 The Consumer Council is a non-departmental public body (NDPB) established through the General Consumer Council (NI) Order 1984. Our principal statutory duty is to promote and safeguard the interests of consumers in Northern Ireland (NI).
- 1.2 The Consumer Council has specific statutory duties in relation to energy, postal services, transport, and water and sewerage. These include considering consumer complaints and enquiries, carrying out research and educating and informing consumers.
- 1.3 The Consumer Council welcomes the opportunity to respond to the Utility Regulator's (the Regulator) consultation on a Code of Practice on Bills and Statements.
- 1.4 We have been involved in the development of this Code of Practice and support the Regulator's work on improving clarity of billing and statements for consumers. Increased uniformity across suppliers and improved billing format will enable consumers to understand what they need to pay, what they are paying for and how to pay. It will also allow them to make comparisons with other suppliers, which is important as competition develops in the energy market.
- 1.5 During the period April 2015 to March 2016 35% of all energy complaints received by the Consumer Council were billing related. In this same time period the Consumer Council returned £115,380

to consumers who had energy related billing enquiries and complaints.

2. Summary

2.1 The Consumer Council welcomes the development of this Code of Practice. We support a Code that combines high level principles with specific requirements where necessary. We believe that this will allow innovation and competition and at the same time provide clear and simple billing. However, the principles need to be more explicit in the requirement for bills to be accessible to vulnerable consumers.

2.2 It is also important that the costs to consumers of implementing measures to improve billing do not outweigh the benefits. We would like to see direct consumer research carried out to provide firm evidence of the billing requirements of consumers and if possible measure the success of this Code.

3. Consultation Questions

Q1 Do you agree that where this consultation has an impact on the groups listed, those impacts are likely to be positive in relation to equality of opportunity for energy consumers?

3.1 The Consumer Council agrees that any impacts to the groups listed in this consultation are likely to be positive in relation to equality of opportunity for energy consumers.

3.2 In December 2014 the Consumer Council held a round table discussion with stakeholders representing those with disabilities and other vulnerable groups. From this discussion the overall message was that bills are difficult to understand. There was feedback that energy suppliers should provide bills in a format accessible to those with a particular disability such as the visually or hearing impaired.

Q2 Do you consider that the proposals for the development of the code of practice on bills and statements need to be refined in any way to meet the equality provisions? If so, why and how? Please provide supporting information and evidence.

3.3 The Consumer Council believes that the high level principles should include that the needs of vulnerable consumers (Section 75 groups, persons living with a disability, older persons etc) will be provided for.

Q3 Do you support the development of a code of practice on bills and statements that is based on high level principles and includes specific rules where required? If not, what approach do you suggest the UR takes in order to develop a code of practice on bills and statements?

3.4 The Consumer Council supports the development of a Code of Practice on bills and statements that is based on high level principles and includes specific rules where required. The

Competition and Markets Authority in its final report on a review of the energy market in GB recommended making greater use of principles rather than prescriptive rules to promote competition.¹

3.5 In terms of a Code of Practice on bills and statements we recognise that a similar approach allows suppliers greater freedom to differentiate themselves from competitors through creativity and innovation. This could include competing to provide clear bills and examples of such bills have already been seen in the NI energy market.²

3.6 However, most of the bills that we currently see in the NI energy market do not suggest that suppliers have actively sought to compete on clarity and innovation in billing. Furthermore, we do not have any evidence that would indicate that the layout and clarity of bills influences the consumer's choice of supplier. It may be that suppliers are able to bring this evidence to bear.

3.7 Ease of comparison is crucial to effective competition. The ability to easily compare the key information from the bill of one supplier against that of another supplier will in our view promote competition.

3.8 It is this key information that must be clear and uniform in content and presentation across suppliers to allow comparisons to be

¹ CMA Energy Market Investigation Final report 24 June 2016.

² Click Energy.

made. We believe it is in this area that specific rules will be needed. Otherwise a principles approach will give the freedom to suppliers to innovate and compete on the style and content of their bills, particularly in terms of branding.

3.9 As noted in the consultation document (3.2 Customer & stakeholder research), most of the suppliers conduct their own research into the content and format of their bills. We are reassured that in the next few years the Regulator will conduct further research into attitudes to billing and the way in which information is presented on bills and statements. In order for the layout of important information to be worked out in detail, direct research with consumers and consumers' representatives is required. The detailed layout would also benefit from a working group of suppliers and consumer representatives in the same way that SSE developed its best practice bill in GB.

Q4 What is your view on the proposed arrangements for the monitoring of compliance with the code of practice on bills and statements?

3.10 The Consumer Council agrees in principle with the proposed arrangements for the monitoring of compliance with the Code of Practice on bills and statements. Compliance monitoring should be proportionate. Unduly burdensome regulation adds costs that are passed through to consumers. Monitoring should be transparent. The results should be made available to the public unless there is a good reason not to.

- 3.11 As proposed in the consultation, it is reasonable that each licensee must keep a record of any changes made to billing processes and bill/statement format. We ask that the Regulator makes it clear if there will be a standard format to record this information for all suppliers.
- 3.12 We agree with the approach as proposed in the consultation that compliance will be monitored annually by the Regulator under the Retail Energy Market Monitoring framework (REMM).
- 3.13 We welcome that the proposed Codes of Practice include a stipulation that [2.1.2] “All bills (statements) must be designed and formatted in consultation with the Authority and the General Consumer Council”. We suggest that this is extended to include when changes are made to an existing bill.

Q5 Do you support the breakdown of the code of practice on bills and statements into the categories as detailed above? If not, please explain why and provide an alternative breakdown.

- 3.14 The Consumer Council supports that this Code of Practice is broken down into the categories suggested. The approach is sensible and clear.
- 3.15 There are obvious and particular differences between bills and statements and between the information required for domestic

and non-domestic consumers. Bills require an action, i.e. payment which if not taken may result in difficulties for the consumer. Whereas statements, for example direct debit and prepayment communications are a means of informing a customer about the status of their account.

3.16 Furthermore, bills for non-domestic consumers may be more complex and have a higher proportion of tailored information. Larger businesses often have specialist energy procurement teams and therefore are able to understand their energy bills. However, small businesses (for example an independent hairdressing salon, newsagent or butcher) typically do not have the expertise or time to devote to analysing energy bills.

3.17 Therefore the type and amount of information and the style of presentation should be tailored to the type of communication and the nature of the consumer.

Q6 Are there any other aspects related to bills and statements or to the billing processes which you think should be covered under the code of practice which are not mentioned above?

3.18 We know through our complaints handling role that the manner in which suppliers back bill consumers can be detrimental to consumers. Anecdotal evidence suggests that there is inconsistency regarding payment arrangements in cases of back billing.

3.19 Whilst back billing is not proposed to be dealt with in this Code of Practice, we welcome that there are plans to address it separately and emphasise the need for this.

3.20 Energy suppliers are currently required in the minimum standards on Codes of Practice on payment of bills to:

*“use language in correspondence that is non-threatening and supportive and all customer contact should be friendly and non-aggressive”.*³

3.21 The Regulator is monitoring compliance in this activity through its REMM programme. Reporting needs to be transparent and if evidence comes to light of bad practice it may be necessary to regulate more closely the debt recovery processes of suppliers.

Q7 Do you support the overarching principle that “all bills and statements are clear and easily understandable”? If not, please explain why and provide an/some alternative overarching principle(s).

3.22 The Consumer Council supports the overarching principle that “all bills and statements are clear and easily understandable”.

3.23 The Consumer Council is aware from anecdotal evidence⁴ and directly from our complaints handling⁵ that it is essential that

³ Utility Regulator - Information on the minimum standards required of Energy Supplier Codes of Practice 24th August 2016.

information on bills and statements is presented in a manner that is understandable and clear to all consumers and is mindful of consumers classed as vulnerable or who have lower than average literacy and numeracy skills.

3.24 Ofgem carried out research into vulnerable consumers' engagement with the energy market.⁶ In the research one focus group was made up of people with relatively low literacy and numeracy levels. This group was more likely than other groups to admit to struggling to understand their energy bills.

3.25 One thing that causes confusion for consumers is some of the terminology used in billing. For example, the terms kw/h, unit price, metres³, and calorific value are confusing and it is unclear how they can be compared. It would be helpful if all suppliers would agree to one simple measurement, preferably across gas and electricity, and use it exclusively for bills and marketing.

Q8 With regard to domestic customers, do you agree with the use of the definition of an “average consumer” taken from the Consumer Protection from Unfair Trading Regulations 2008? If not, please explain why and provide an alternative definition.

⁴ For example we held a round table discussion with stakeholders representing people with disabilities and other vulnerable groups in December 2014 (referenced at 3.2) and during discussions with consumers at our energy 'Switch and Save' events.

⁵ 35% of complaints received by the Consumer Council are billing related.

⁶ Ofgem. Research report on vulnerable consumers' engagement with the energy market. 2008 <https://www.ofgem.gov.uk/ofgem-publications/57446/vulnerable-customer-engagement-energy-market-research-report-pdf>

3.26 In the regulated industries of electricity and natural gas, the Consumer Council works on behalf of both domestic and business consumers. Our understanding of the Consumer Protection from Unfair Trading Regulations 2008 is that it defines consumers as both domestic and business. Therefore the Consumer Council agrees that the use of the definition of an 'average consumer' is reasonable for the purposes of this Code of Practice.

3.27 However, this definition of 'average consumer' does not address the needs of vulnerable consumers. We believe that the principles should be more explicit in the requirement for bills to be accessible to vulnerable consumers.

Q9 Do you support the principle that “a customer is able to find quickly and understand important information on the bill or statement”? If yes, please indicate what you deem to be the most important information on a bill or statement. If no, please explain why you do not support this principle.

3.28 We support the principle that “*a customer is able to find quickly and understand important information on the bill or statement*”. In this respect it is important to consider the needs of Section 75 groups and those with limited literacy and numeracy skills.

3.29 We believe that direct research with consumers needs to take place to fully understand the information that is most important. In our view the most important information is:

- The amount spent in the billing period;
- The amount due to be paid; and
- The date it has to be paid by.

A second tier of information that will help consumers compare bills between suppliers and switch suppliers is:

- Ways to pay;
- Unit rate (including VAT) ;
- That a cheaper tariff is available; and
- MPRN (electric) or SMP reference number (natural gas).

3.30 This information is all that is required to be on the front of the bill. The SSE bill developed in the GB market does appear clear and contains the most important information. In particular, the way that it combines the fact that a reading is actual or estimated with the read figure and the spend this has produced is in our view helpful.

3.31 We do not believe that it is necessary to include any information such as the charge amount or unit rate that excludes VAT. In our view this only clutters up the bill and causes confusion, particularly for domestic consumers.

3.32 Other information relating to tracking energy consumption and the fuel mix is also useful. This is the type of information that the

Energy Efficiency Directive requires and whilst being useful, is not key to understanding the bill and knowing what to do immediately. This type of information could be contained in a second page.

3.33 There should be a consistent approach to how credit balances are displayed and it should be absolutely clear when there is no balance outstanding. The Consumer Council has experience through our complaints handling role of consumers misinterpreting a credit for a balance owing, and then paying twice for energy they have used.

3.34 Information on how to contact the supplier should be clearly displayed, preferably in a larger, bolded or highlighted font. Details of the Consumer Council for consumers wishing to seek independent advice should be clearly displayed.

Q10 Do you support the principle that “a customer will know immediately what action is required from them when reading a bill or statement”? If yes, please indicate what you deem to be the most important information on a bill or statement. If no, please explain why you do not support this principle.

3.35 The Consumer Council agrees with the principle that “a customer will know immediately what action is required from them when reading a bill or statement”. It should also be immediately clear if no action is required and that it is for information only.

Q11 Do you support the principle that “bills and statements are based on accurate information and up-to-date meter reads where possible”? If not, please explain why you do not support this principle.

3.36 The Consumer Council receives many enquires and complaints related to estimated bills. Therefore we support the principle that “bills and statements are based on accurate information and up-to-date meter reads where possible”. We have experience of helping consumers who have suffered financial detriment as a consequence of one or numerous estimated bills.

3.37 It should be clear to consumers if their bill is based on an estimated meter read, and the benefit of an actual meter read should be reinforced on the bill. Consumers should be encouraged to read their meter regularly and provide this information to their supplier. Some tariffs require the consumer to submit regular meter reads and the responsibility of the consumer to do so should also be highlighted when this is the case.

Case Study

A vulnerable consumer signed up to online billing and agreed to pay a set amount by Direct Debit. Direct Debit reviews had been carried out using estimated readings rather than actual readings and so the initial outstanding amount was not accurate. The consumer had increased their usage during the period because of using electric heaters and once the actual readings were taken their account went into arrears of almost £1000.

3.38 Accurate up to date readings offer other benefits for consumers, such as:

- Helping consumers to avoid debt as it allows them to budget effectively;
- The comparison of alternative energy tariffs is more accurate when information on unit consumption is up to date;
- Accurate information on energy consumption will allow consumers to improve their energy efficiency; and
- Accurate information such as actual meter reads is mutually beneficial to both consumer and supplier in reducing incidences of disputes regarding consumption.

Q12 Do you support the principle that “domestic customers will be made aware if there are cheaper tariffs available to them”? If yes, please indicate which of the three options presented above for domestic customers is the most appropriate way of making this information available to customers (and explain the rationale for your choice)?If no, please explain why you do not support this principle.

3.39 The Consumer Council encourages consumers to shop around for the best deal. This includes switching tariff and payment method with the same supplier in order to save money. Therefore, we support the principle that “domestic customers will be made aware if there are cheaper tariffs available to them”.

- 3.40 Of the three options presented in the consultation paper, our preferred option is that the supplier will highlight to the customer that cheaper tariff options are available and direct the customer to sources of this information e.g. the supplier's website or the customer service team (contact centre number). However, we propose an amendment to include that the customer should also be informed that alternative payment and billing methods are available which may save them money.
- 3.41 This option is similar to that provided on some energy bills in GB. Some GB suppliers use just a few sentences such as 'Choose the best tariff for you' followed with contact information for the supplier.⁷ Others use a mixture of the options presented in this consultation, for example details of cheapest similar tariff and cheapest overall tariff. The SSE GB 'best practice' bill is both clear and informative on this matter.
- 3.42 It would be useful for consumers at the point they are made aware of cheaper tariffs, to have details of the Consumer Council informing them that we offer free, independent advice on energy tariffs via telephone, our online price comparison tool and price comparison tables. We ask for the following addition (as highlighted in bold) to the Code of Practice on domestic bills/statements):

⁷ For examples of GB energy bills see - <http://www.moneysavingexpert.com/utilities/understanding-energy-bills#BBthree>

3.2.1 ...

f) Highlight to the customer that cheaper tariff options are available and direct the customer to sources of this information e.g. the supplier's website or the customer service team (contact centre number);

g) Include the following reference 'The Consumer Council offers independent and free information on energy tariffs. Tel: 028 9025 1600, web: www.consumerCouncil.org.uk'.

3.43 It may be appropriate for advice on the Consumer Council's role in tariff information be combined with its complaints role.

Q13 Do you support the principle that "non-domestic customers will be made aware if there are cheaper tariffs available to them"? If yes, please indicate how you think this information should be presented to non-domestic customers. If no, please indicate why you do not support this principle.

3.44 The Consumer Council supports the principle that "non-domestic customers will be made aware if there are cheaper tariffs available to them".

4. Conclusion

4.1 A Code of Practice on Bills and Statements will provide a consistent set of principles and rules that will provide clarity for consumers

and energy suppliers. In practice this should improve consumer understanding and alleviate the number of queries and complaints resulting from consumer misunderstanding. Importantly, it will also help to promote trust in the energy industry and the development of a competitive energy market.

- 4.2 The Consumer Council is committed to working with the Regulator and the energy industry to develop a Code of Practice on Bills and Statements that improves communication between energy suppliers and consumers.
- 4.3 If you would like further information or to discuss any issues in this paper, please contact Hannah Brown on 028 9025 1621 or hannah.brown@consumercouncil.org.uk.



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