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7th October 2016

Ursula O’Kane
The Utility Regulator
Queens House
14 Queen Street
Belfast
BT1 6ED

Via email ursula.okane@uregni.gov.uk

RE RETAIL MARKET BILLING CODE OF PRACTICE

Dear Ms. O’Kane,

EAI’s response to the consultation on the Billing Code of Practice is detailed below. It addresses a number of specific concerns and the questions associated with these. We are not commenting on the detailed elements of the consultation. As stated in our previous letter of 16th September to Kevin Shiels, EAI is surprised at the range and detailed nature of the changes proposed in the Code modifications given little direct evidence is provided of a substantive issue for customers with respect to their current bills.

In the context of our previous communication, EAI reiterates its request that the UR conduct a workshop on the issues of bill design raised in the consultation prior to making any decisions. This has been the UR’s standard practice in relation to other Codes it has developed.

We again note the UR is not proposing to undertake any research or to complete a cost benefit analysis of its proposals in advance of making decisions. Changing supplier bills in the manner proposed will be a very costly process involving potentially fundamental marketing, operational, bill design, process, system and printing software and infrastructure considerations. It is normal industry practice that changes such as those now proposed are research based and trialled with customers prior to their introduction. In the absence of appropriate research we believe the proposed changes are as likely to deliver at least as much negative as positive outcomes for customers.

Underlying basis for the proposed measures in the code of practice

At the outset we note that the consultation identifies bills as the most important communication suppliers have with their customers. We would also note the extent of research suppliers undertake

in designing bills, which is targeted at providing customers with the optimum presentation of information in a competitive market.

The Consultation provides as a reference the legal basis for action as *“Any bill or statement of account sent to a customer.....complies with the guidance issued and published by the Authority...”*. However the Order and Directive are explicit as to the information on which guidance is to be provided i.e. measures related to energy efficiency. We are concerned that the text as presented suggests the UR has legislative scope for a much broader range of actions than envisaged in legislation. In this context it is our view that the actual content and coverage of legislation addresses measures to ensure customers have sufficient information to use energy efficiently. More specifically it provides that billing is accurate, frequent and individualised, can be compared over time and against normalised use for the category of customer and contains information on energy service providers and independent energy advice centres. It is not clear that the proposed code confines itself to these objectives.

Given the above we wish to highlight that regulatory impositions add costs that are ultimately borne by customers. Detailed requirements may also create barriers to entry that act to undermine competition which, as legislation provides, is the most effective means of protecting customers’ interests. Seeking to force customers to engage through regulation is a counter-productive exercise, in particular given the fundamental structural changes occurring in the industry and in technology.

Responses to questions posed

Responses are provided below to questions of significant concern to the Association.

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?

EAI supports the development of a code of practice that is based on legislation and its intent. Existing legislation establishes the key principles and provides very specifically that certain elements be included in bills and statements without prescribing in detail how this should be done. In doing so it recognises that bills represent a competitive tool for suppliers and detailed prescription creates bureaucracy and acts against competition and the interests of customers.

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

EAI is challenged to understand the rationale in creating a legal regime with penalties in respect of the presentation of bills and statements and has difficulty in identifying any normal sectors of the economy subject to such prescription. EAI reiterates its concerns at the impact on customers’ bills of the costs of the additional bureaucracies that would be required on the part of the authorities and suppliers to monitor compliance with the proposed obligations.

We note that the experience for customers in GB of prescriptive billing has been negative, has acted against competition and is being reversed.

EAI’s view is that the most effective tool for customers in the context of billing and value for money is the creation of authorised and invigilated price comparison websites which provide unbiased information, encouraging both energy saving and switching on the part of consumers. While not

now necessarily relevant, we understand this will be a feature of the upcoming EU internal market proposals on customer engagement in its “Winter Package”.

We note that bills are considered difficult or fairly difficult to read by some 6% of customers in NI. It is not clear that increasing the amount of information and overall complexity of the bill will address this in any way absent a deeper understanding of the reasons underlying this opinion (including such issues as basic literacy skills which cannot be addressed by the sector). Given the intention of the UR is to conduct detailed research on this in the future it would appear logical and in line with the UR’s regulatory principles, to effect minimal change at this point.

Equally, since the reasons why the 6% of customers who have difficulties understanding their bills are unknown, then it is premature to promote solutions such as standardised formats etc. at this point.

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.

Given certain legal obligations exist for suppliers, that non-domestic energy users have a greater motivation to interrogate their suppliers in respect of their energy bills and that suppliers respond proactively to the strong competition in this sector it is not clear why a code of practice on billing is required for non-domestic customers.

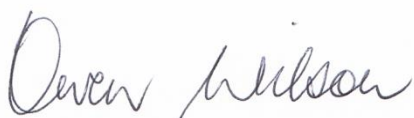
Q7. Do you support the overarching principle that “all bills and statements are clear and easily understandable”? If not, please explain why and provide an/some alternative overarching principle(s).

EAI is of the view that the overarching principle for bills and statements is that the information presented is accurate and timely so that customers have confidence they are paying for the energy they have used within a reasonable period after it has been used (listed Principle 3). This reflects energy policy needs and the requirements of customers as shown by surveys. Factors such as clarity and comprehensibility fall in large part within the competitive aspect of billing.

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.

It is not clear that the logic of applying this proposed Principle has been thought through as ultimately it leads to a monopoly supplier offering a single tariff.

Yours sincerely,



Owen Wilson,
CEO, Electricity Association of Ireland