



**Response by Energia to Utility Regulator
Consultation**

***CONSULTATION ON A NEW SUPPLIER CODE OF
PRACTICE ON BILLS AND STATEMENTS***

7th October 2016

1. Introduction

Energia welcomes this opportunity to respond to the Utility Regulator's Consultation on a New Supplier Code of Practice on Bills and Statements. Energia strives to ensure that our customer service and front facing interactions with the customer are to the best of our abilities carried out to the customer's satisfaction. We invest a large amount of time and effort into ensuring that this aspect of our business delivers the best customer experience possible. Our bills have evolved over time based on customer, in house and consultant feedback to its present incarnation. Furthermore, Energia's experience would indicate that our customers are largely content with our approach to billing and ongoing interaction and review with customer focus groups can ensure we continue to satisfy customers' needs and preferences in respect of their bills; but to do so requires flexibility.

This consultation in our view is not addressing any tangible issues with billing and if implemented will remove a key component of what differentiates between suppliers. Another unintended consequence may be a reduction of clarity of customer bills. The COP as proposed will likely have an adverse impact on the market.

This response outlines our general comments before addressing the questions posed in the consultation.

2. General Comments

Energia invests significant effort into improving our customer facing communications such as billing. Changes are influenced in part by feedback from individual customers, focus groups and input from consultants. These elements have contributed over the past number of years to shape the bill into its current format. Our bill is customer focused and meets the many billing requirements stipulated by the UR. Our extensive customer interactions at the coal face do not indicate any significant problems with the Energia bill.

According to the paper the impetus for this change stems from the Energy Efficiency Directive (EED). Rather than been concerned with this granularity of detail of billing, the EED relates more to energy efficiency. The approach taken by the UR departs in many instances from the content and ethos of the EED and it is questionable whether the main driver for these changes is being correctly interpreted. The EED unquestionably places certain requirements on the UR to implement changes but it does not mandate many of the proposed changes in this paper. Many of these changes are the discretionary exercise of UR powers and as such should be evidence-based and designed to address specific, identified problems in the market,

Given that from an industry and customer perspective there would be appear to be no significant issue with billing it is not clear as to what problem the consultation seeks to address. We note that the UR does not intend to conduct any research or to carry out a CBA in relation to the proposed changes. We suggest that the UR should conduct primary research into billing to see if there is evidence of an issue in the sector that is contrary to industry experience and that this is then viewed in the context of a CBA. As has previously been the standard approach of the UR, a

workshop discussing the various elements of the code would be welcome in advance of any final decision. To reiterate it is our contention that billing is not a significant problem in the market and if it were problematic in some circumstances competition amongst suppliers should address the issue.

In addition to the above points we would advocate that the commercial codes of practice need to be revisited. The COP does not take into account the differing requirements of commercial and domestic customers. This is particularly true in the case of interval meter customers. This cohort requires a bespoke bill with a granularity that will not be deliverable under the proposed homogenisation. The proposed changes are likely to render bills less comprehensible. As such, this segment should be exempt from certain requirements.

The outcome of the implementation of COP for the commercial customer will likely be increased confusion, less engagement and a frustration with suppliers as they are held responsible for any changes to the bill. Whilst bills will always have a certain requirement from a regulatory, legislative and EU perspective the supplier should be able to innovate and differentiate themselves from other suppliers. In addition as a supplier deals directly with the customer it is easier for them to adapt and improve to the changing needs of the customer, the billing COP will greatly limit this flexibility to evolve, innovate and reflect changing customer requirements. There is also a concern that as a result of the proposals that there will be a move towards one tariff that will severely undermine competition and switching in the market.

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?

No comment

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.

No comment

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?

The development of a principles approach in conjunction with a prescriptive set of rules dealing with items such as font size would seem to be contradictory. Any approach that looks to dictate details such as font size will likely have a negative impact on the customer experience and potentially harm competition.

As alluded to above, Energia contends that any approach must be evidence based and accompanied by a CBA. To this end we would request that the UR conduct research into billing to establish if there is evidence in the market contrary to the experience of industry that billing isn't an issue. As most of the content of our bills are already dictated by the UR, the role of regulation in shaping the bill and any resulting confusion could also be examined.

If based on a CBA and market research it is deemed necessary to introduce a COP on bills then this should be principle based and not be prescriptive.

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

This level of compliance will come at an increased administrative cost for suppliers and it could be assumed also for the regulator. It is unclear as to why such an approach is been taken since other jurisdictions such as GB have moved away from the more prescriptive approaches to regulation in favour of a principled approach. This shift was in response to the adverse effects of approaches such as the four tariff rule and more prescriptive billing requirements. The concern is that in this instance there will be a similar outcome.

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.

We do support this breakdown of the codes of practice. However, the codes as currently outlined do not sufficiently acknowledge the fundamentally different needs of commercial and domestic customers. In particular we recommend that these proposals are not applied to interval meter customers. This set of customers are highly engaged, require bespoke information and the likelihood is that the changes outlined will have a negative impact on their experience. The commercial code(s) of practice need to be revisited in its entirety with greater consideration given to the sector, in particular interval meter data customers.

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?

No comment at this point

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).

It is in the supplier's best interest in terms of collection of monies, communication of information or from a competition perspective that the information on bills are clear and easily understandable.

Energia invests considerable effort and resources into ensuring that our communications meet our customers' expectations as well as any legislative or regulatory requirements. It is our experience that our bills are not a problem for our customers. Billing falls into the category of competition between suppliers if they are not to the customer's satisfaction then this plays a part in driving competition.

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.

Energia does not operate in the NI domestic energy market and therefore has no comment on this question.

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.

See response to Q7.

10. 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.

Yes. There is a cost associated with issuing a bill or having to initiate follow up contact with a customer. As such it is in a supplier's best interest to ensure that the message communicated to a customer on a bill is easily identifiable and understood.

11. 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.

Yes

12. 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.

Energia does not operate in the NI domestic energy market and therefore has no comment on this question.

13. 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.

Energia is not supportive of this proposed requirement. The non-domestic market currently offers dynamic pricing with bespoke offers tailored to customer requirements. Market conditions impact these offers which can change on a daily and weekly basis. Therefore suppliers need to be able to provide a range of different offers to different customer segments. This range of offer is dependent on a number of factors including customer usage patterns, wholesale price forecasts and spot commodity prices.

A requirement to provide dynamic pricing information on customer bills appears complex, unnecessary and will be confusing to the customer. In this pricing environment a tariff statement made on a bill may not necessarily be true or available to a customer should they wish to choose it a number of weeks later as market conditions will have altered.

This dynamic pricing practice prevails in other industries, where different products are provided in different customer segments. This principle is understood by all customers and is one of the key principles of a functioning competitive market. The loss of any dynamic pricing in competitive markets would not be to the customers benefit in the long run as product innovation and competition would erode any perceived short knowledge gain. Furthermore, the cost of implementing this change would be substantial without a compensating benefit for customers. There would also be a significant lead in time for this project as a result of a significant billing system upgrade requirements with a minimum project timeline of at least 2 yrs.