

14 February 2019
Colin Magee
The Utility Regulator
14 Queens Street
Belfast
BT1 6ED

Dear Colin,

Consultation on Backbilling in the NI Retail Energy Market

Introduction

Firmus energy (Supply) Ltd and firmus energy (Distribution) Ltd has engaged extensively with the Utility Regulator (UR) in relation to the various projects borne from its 2016 Consumer Protection Strategy (CPS) and welcomes the opportunity to provide further insight and evidence surrounding the elements of backbilling within the natural gas market.

There are many aspects to the CPS, all of which have been significant in guiding firmus energy's overarching Customer Service Policy. Since 2006 firmus energy has been dedicated to providing a first class customer service and, as part of this commitment, we endeavour to ensure all our customers receive timely, accurate and transparent gas bills.

Call for Evidence and Current Procedures

Firmus energy previously provided information to the UR on backbilling following the 'Call for Evidence' in 2018. As part of this request, firmus energy detailed its procedures mitigating the risk of inaccurate billing and underlining how our customers are unlikely to receive a backbill extending beyond 12 months.

Although our processes endeavour to safeguard accurate billing, there can be circumstances, beyond a supplier's control, that result in energy costs from previous billing periods having to be recovered from customers. To facilitate and manage these instances firmus energy aligns to the guidelines set out in the CCNI's 2006 Financial Remedy Framework (FRF). As per our correspondence with CCNI¹, this framework was considered to be best practice in 2017, and it is our intention to continue to adhere to its principles.

Firmus energy considers the standards detailed in the FRF to be an appropriate solution to backbilling (within the natural gas market), providing sufficient protection to consumers and suppliers. As such, we would recommend the UR consider the framework's merits and furthermore suggest that any final decisions, resultant from this consultation, are aligned to the framework principles.

¹ Email Correspondence 1st June 2017 regarding CCNI's internal review of its Financial Remedy Framework

Meter Reading – Gas, Electricity & Water

Firmus energy (Supply) Ltd, has a Licence obligation to read its customers' meters and it is this responsibility (i.e. of seeking at least one physical meter reading and inspection every year), that helps validate the accuracy of its bills.

It is clear that there is a significant difference in water backbilling, compared to electricity and gas. Whereas the latter two are concerned predominantly with meter reading issues, NI Water is not. Instead, commercial water backbilling is resultant from a complex and multifaceted charges and rates process. *The Northern Ireland Water Scheme of Charges 2018/19* is an extensive document setting out the numerous charging possibilities for commercial water users and as a result lends itself to more opportunities for billing issues.

These fundamental differences between the gas, electricity and water networks suggests that the UR might consider whether, contrary to the consultation proposals, backbilling should be treated independently for gas, electricity and water. Furthermore, the UR should consider whether any electricity supply or water licence modifications, resultant from this consultation, are relevant or applicable to gas supply licences.

Backbilling - 2019 and beyond

Notwithstanding our previous observations regarding the CCNI's FRF, firmus energy is fundamentally supportive of the UR's proposals pertaining to a 13 month backbilling limit being implemented to help protect consumers. This proposal aligns to our current meter reading schedules and internal billing processes, and as such we would not envisage significant operational issues with implementation of this proposal.

Nevertheless, as previously discussed, there are occasions when backbilling circumstances are beyond a supplier's control. In view of this, one section of the consultation that we would ask the UR to give appropriate consideration to, is Paragraph 4.15 and specifically Questions 5.

Q5. Do respondents believe that Ofgem's definition of "customer fault" is applicable to the NI energy market? If not, please provide clear rationale why or identify what additional factors / scenarios should be considered

It is imperative that, by means of clear direction from the UR, all suppliers unambiguously recognise the circumstances and conditions whereby the 13 month backbill limit will come into effect. Similarly, suppliers must also have clarity and transparency regarding the conditions whereby the supplier is not at fault and, as such, is entitled to recover debt from beyond the 13 month timeframe. The consultation conveys in paragraph 4.15 the generic circumstances [in GB] when the time limit on backbills does not apply, however, there is also scope for the UR (bullet point 4) to be more prescriptive regarding these occasions.

Generally, firmus energy believes if the customer is not at fault, then the 13 month condition should be implemented. However, there may be instances when supply chain stakeholders (i.e. customer, supplier, or network operator) are unable to reach agreement over responsibility and liability.

Firmus energy proposes that there is scope, within any implementation of this proposal, for the UR to attribute liability/responsibility, if requested by the supplier or customer (via CCNI), on an individual case basis.

A significant component of the consultation is notably focused on ensuring the proposals come into effect when a customer is not at fault. Firmus energy would advocate this, however would suggest that the UR might go further and also consider the implications when the supplier is not at fault. We have highlighted previously to the UR circumstances when firmus energy (Supply) Ltd follows its licence obligations and processes correctly but still faces backbilling complications.

For example, on occasion the causes of the backbill may lie with the network operator (through faulty meter equipment, meter mix-ups or inaccurate AQ estimates). Given this, we believe the UR should consider the implications to network operators and other stakeholders, in the event that neither customer nor supplier is at fault for a significant backbilling occurrence.

Conclusion

Consumer protection and superior customer service is a key focus for firmus energy and as such we will consider any measures that have the potential to enhance these areas for our customers. As part of this consultation, we also believe the UR should consider supplier protection, to ensure that obligations and liability for backbilling arrears is placed with the appropriate party. Finally, we would suggest that any proposed changes might not necessarily apply to natural gas suppliers, especially given the low number of backbilling complaints and the effective, best practice, Financial Remedy Framework already in place for our market.

We look forward to your final decisions on these matters and reiterate our continued commitment to future engagement with the UR and wider industry stakeholders.

Kindest regards,

A handwritten signature in black ink, appearing to read 'S. Miller', is written on a light yellow rectangular background.

Stephen Miller
Business Planning and Regulation
firmus energy