

Backbilling in the NI Retail Energy Market

UR Consultation – January 2019

NIE Networks Response

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1. SUMMARY

NIE Networks welcomes the opportunity to respond to the UR consultation paper, 'Backbilling in the NI Retail Energy Market', issued in January 2019. NIE Networks recognises the rationale for such arrangements to be applied within the electricity market and is generally supportive of the proposed backbilling arrangements in circumstances where the customer is not at fault.

However, NIE Networks would suggest that the meaning of the term 'customer fault' should be very clearly defined, so that the responsibilities of customers and market participants are clearly understood whilst remaining unchanged. In particular, NIE Networks has significant concerns if these arrangements were to be extended by default to customers who have not engaged with us in the meter reading process, and therefore benefit for their lack of engagement. This would risk the unintended consequence of encouraging greater customer disengagement from the meter reading process, potentially creating wider market issues and increased tariffs.

2. RESPONSE TO CONSULTATION QUESTIONS

NIE Networks has considered the questions posed in the consultation paper that are most applicable to its activities and provides the following responses.

Q1. Do respondents 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 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

No comment.

Q3. Do respondents agree that any limit to backbills for gas and electricity should be 13 months for gas and electricity?

Yes.

Q4. Do respondents agree that any limit to backbills should be applicable to both domestic consumers and microbusinesses?

Yes.

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

NIE Networks considers that the definition of 'customer fault' should be specific to the NI electricity market and reflect the different roles of suppliers and network operators in the NI market compared with GB arrangements. In addition, the Ofgem definition is written in general terms e.g. its reference to 'obstructive or manifestly unreasonable behaviour' is open to interpretation; while providing scope for 'any other circumstances' without defining what they might be.

NIE Networks considers that the meaning of the term 'customer fault' should be very clearly defined, so that the responsibilities of customers and market participants remain unchanged and are clearly understood. In particular, NIE Networks has significant concerns if these arrangements were to be extended by default to customers who have not engaged with us in the meter reading process, and therefore benefit for their lack of

engagement. This would risk the unintended consequence of creating an incentive for increasing customer disengagement, potentially creating wider market issues and increased tariffs.

As common service provider for the NI electricity market, NIE Networks is responsible for visiting all quarterly domestic and small business properties to obtain a meter reading. NIE Networks conduct over 3.2 million visits per annum and depends on the cooperation of customers in order to gain access to the meters in their homes and premises.

NIE Networks' Standard Terms and Conditions of Connection and Retail Suppliers' Terms and Conditions of Supply Agreement indicate that customers must provide *reasonable access at all times for NIE Networks to read, test or inspect the meter*. If the effect of this proposal was to apply backbilling limits for customers who do not facilitate a meter reading for a period of time, NIE Networks would have significant concerns that it would negate this important section of the terms and conditions of connection agreements.

During each quarterly visit, NIE Networks meter readers will call at each property on at least one occasion to try to obtain a meter reading. Where access is not obtained, meter reading cards will be left to encourage the customer to provide a meter reading¹ so that an accurate measure of their consumption can be recorded. In circumstances where a customer has received a number of estimates over a prolonged period, NIE Networks will conduct additional (non-scheduled) meter reading visits and will also write to the customer in a further attempt to obtain an actual meter reading. If customers fail to engage with this detailed process over a prolonged period, it would be reasonable to consider that the customer is implicitly preventing access to allow a meter reading to be obtained. Therefore, NIE Networks would suggest that in such circumstances, these accounts should not be subject to the backbilling limits proposed in this consultation.

NIE Networks would therefore consider that the definition of 'customer fault' should exempt the following circumstances as a minimum in considering backbilling limits in the NI electricity market:

- Customer has prevented access to the meter – for example, locked gates, meter obstructed.
- Customer has behaved obstructively through lack of engagement to facilitate recovery of an actual meter reading after all reasonable attempts by NIE Networks, for example, by not providing a meter reading themselves on request, or not responding to requests to allow NIE Networks access to their meter to obtain a reading.
- Health & Safety – issues at the property which prevent safe access by NIE Networks to read the meter, for example, unsafe physical site conditions, presence of animals or threatening behaviour by the customer or third parties.
- Vacant Properties – empty secured properties with no means of access.

Without these exemptions, the introduction of backbilling limits as proposed in this consultation would risk encouraging more customers to disengage from the meter reading process. If it is considered that customers will not be liable for any consumption used prior to 13 months, this may be exploited and the levels of actual reads obtained would decrease as a result. This would potentially impact the accuracy for wholesale market settlement and increase the extent of non-technical losses that will ultimately be paid for by all customers through increases in tariff prices.

NIE Networks would support the introduction of backbilling arrangements where the customer is not at fault in the following circumstances:

- Faulty meters – for example, stopped meters, meters recording outside statutory limits.

¹ Meter readings are considered actual if obtained by a meter reader or provided by the customer. Customer reads can be submitted to the meter reader, IVR and their Supplier.

- Incorrect meter set up – for example, incorrect timeclock set up, incorrect wiring for multiple meter set up.
- Incorrect meter readings – for example, switched registers, incorrect meter set up on the billing system, erroneous reads.

Q6. Do respondents agree that any limit to backbills should be applicable to all payment types?

Subject to our response to Q5 above, NIE Networks considers that the limit to backbills should apply to all payment types.

Q7. Can respondents outline the expected cost faced by suppliers to implement the system and organisational changes required to administrator a limit on backbills?

No comment on Supplier costs. NIE Networks costs are discussed in our response to Q8 below.

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?

When an actual read is obtained after a prolonged period, this may require recalculating the previous estimated consumption going back over a period greater than 13 months. This will result in a number of potential scenarios:

1. The estimated consumption is similar over the period and no significant consumption adjustment is required.
2. The estimated consumption is higher than the actual usage (as a result in change of circumstance) and a credit adjustment is required.
3. The estimated consumption is lower than the actual usage and a debit adjustment is required.

Point 3 is the only circumstance where significant additional Use of Charges would be applied to the Supplier, who may in turn pass on to their customer.

NIE Networks considers that that it can accommodate the provision of 13 months backbilling arrangements for circumstances where the customer is not at fault and who mainly fall into category 3 above.

From a procedural perspective, this can be facilitated through changes to provisions within the current Retail Market Procedures and DUoS Agreements.

NIE Networks must still consider the integrity of the meter data and therefore propose to adopt the following process to facilitate the backbilling arrangements

- Provide full correction of the meter data through the provision of market messages. This correction will be from the point of error as is currently done.
- NIE Networks will however apply a 13 month limit to the DUoS invoice charges issued to the relevant Supplier.

It is anticipated that IT system costs will be incurred by NIE Networks to facilitate this process. Relevant Retail Market Procedures and DUoS Agreements will require amendment to include provision for these changes. It is not possible to quantify full costs until the exact requirements have been identified.

Q9. How, and to what extent, do respondents believe these issues can be mitigated in order to implement a backbill limit that ensures no customer is billed for energy consumed over 13 months prior?

NIE Networks would propose calculating the consumption between the last actual meter read and the current meter read to determine consumption for the whole period and apply through a series of estimated meter readings as per the agreed market procedure RMPNI 14. This information will be issued to Suppliers via revised market messages. NIE Networks consider that this would be the most reflective way to ensure allocation of units. It is important to note that this is the current process and will not change as part of the new arrangements.

NIE Networks will then, where applicable under the backbilling arrangements then apply a 13 month cut off on the DUoS invoice. NIE Networks would reiterate that this should only apply when the customer is not at fault.

Q10. Do respondents agree that any limit on backbills should be enforced through the creation of a new licence condition?

No comment.