

# **Code of Practice on Bills and Statements**

## **Utility Regulator Consultation**

### **Power NI Response**

7 October 2016

## 1. Introduction

Power NI welcomes the opportunity to respond to the Utility Regulator's (UR) consultation paper regarding a Code of Practice on Bills and Statements.

Bills and statements are a potentially sensitive issue for suppliers who will be naturally nervous of regulatory intervention in this important area of branding and product differentiation. Bills and Statements are the primary interaction with a customer and the physical representation of the company to the end user. As in all supplier activities, service delivery is critically important. Poor communication, complex bills or poor billing practices will drive up levels of customer dissatisfaction, complaints and ultimately losses in a competitive market.

To mitigate against this risk, all suppliers conduct extensive customer research and seek to make their billing and general information as customer friendly and informative as possible. Focus groups, market testing, benchmarking and research all form part of this exhaustive process. Changes are subject to extensive testing and follow a rigorous approval process. The UR by its own admission has not carried out any substantive customer research, testing or analysis. This leads inevitably to three questions:

- What harm is the UR attempting to fix?
- How does the UR know what they are proposing addresses the issue?
- Has the UR researched bill layout, design and consumer psychology?

Answering these questions provides the foundation for evidence based decision making and good regulatory practice. The UR has not stated the current harm in the market which it is attempting to address. Power NI would suggest that any assertion that customers are confused by suppliers' bills has not been demonstrated.

Even if you start with an assumption that confusion exists it is almost certainly caused in part, by suboptimal market designs and data flows that the UR should have an important say in. An obvious example is that in September 2016 the Fuel Mix Table for 2014 was still on customer bills because the regulatory authorities had not issued the 2015 figures. Power NI would suggest that this renders the information meaningless to customers and publishing figures 18 months plus in lag, does not reflect well on the entire industry. Considering this example alongside the other numerous requirements imposed on suppliers following wave after wave of licence condition amendments, this suggests that having prescriptively regulated the industry into a possible situation, the UR believes the best course of action is further prescriptive regulation to get us back out. The phrase 'if in a hole stop digging' springs to mind.

In the Background Section of the consultation paper the UR states that "*it is not our aim to produce a code of practice that is unduly prescriptive or that does not allow suppliers to be innovative in the way they communicate with their customers or how they respond to customer feedback*". In reviewing the level of detail included in the appendices it is difficult to see how the UR has met this stated intention.

Suppliers also invest heavily in their billing and bill layout as it acts as a market differentiator. As stated above, in a competitive market if a supplier provides poor customer service (and a bill is a form of customer service) the customer will switch to

another rival provider. By prescriptively regulating in this area, the UR is mandating uniformity and eroding any competitive service advantage which a supplier has worked to achieve. This represents a direct interference in the market by the UR and Power NI would suggest that this is inconsistent with the UR's statutory duty to promote competition. Such intervention cannot be justified by the argument that this is a consumer protection activity, as the UR has not identified the consumer harm nor assessed whether their actions protect the consumer from it.

Power NI understands that the regulatory mandate has been derived from the European Directive and while explicit licence conditions and Codes of Practice regulations may demonstrate compliance, it is important that such guidance is limited to only the areas within the Directive and is as 'light touch' as possible. There already exists significant requirements within a suppliers' licence, going beyond these requirements is unnecessary and would appear at odds with governmental papers such as "Making Life Simpler: Improving Business Regulation in NI" which looks to reduce business red tape and regulatory burden.

## 2. Specific Questions

The UR embedded specific questions within the consultation paper and for the ease of review Power NI has presented comment in relation to each question posed.

- 1. 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?**

ANS: No specific comment.

- 2. 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.**

ANS: No specific comment.

- 3. 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?**

ANS: In setting out its approach to this Code of Practice the UR stated that it would apply high level principles, bring together all requirements into one document and set minimum elements which need to be included while not being unduly prescriptive.

At first glance this seems entirely appropriate. Principles allow for interpretation and differentiation between suppliers, bringing together the requirements

provides one source of reference and reduces the risk of a supplier inadvertently missing something which is currently spread across multiple licence conditions and the detailed requirements already in the licence could be the minimum elements.

Having reviewed the level of detail included in the appendices it is difficult to see how the UR has met this stated intention. The appendices are prescriptive and introduce significantly more requirements than exist currently in disparate licence conditions. This goes beyond the UR's stated intention at the beginning of the Consultation Paper and without due research, customer engagement and identification of harm represents a risk to suppliers.

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

ANS: The REMM framework provides a comprehensive monitoring programme for the UR.

**5. 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.**

ANS: Separating bills and statements has created significant repetition in the UR's appendices. The treatment of Direct Debit is somewhat confused as the UR states that this is a statement although most suppliers would consider it as a bill which the customer does not need to respond to. This is an important distinction for suppliers because the Direct Debit bill issued to a customer comes from a supplier billing engine and therefore will invariably be produced in a manner that closely aligns to non Direct Debit customers. By having separate codes the UR is risking misalignment and creating implementation complexity.

The UR has also appeared to group all non-domestic customers together. In the Northern Ireland market there is a significant number of larger users who require detailed level information from their supplier. They do not want a simple layout with minimal 'jargon', they demand line by line information including rate breakdowns, levy information, maximum demand levels etc. The 'one size fits all' approach will not be acceptable to those customers.

In addition, it is difficult to envisage how a complex group account structure, with potentially large numbers of sites fits into the non domestic code as specified by the UR.

**6. 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?**

ANS: Power NI cannot understand why the UR has fixated on bill layout while ignoring substantive issues such as long term consumption adjustments and back billing. Power NI has long advocated a change to how the common services

provider deals with such issues. Power NI believes it currently leads to inequitable outcomes for suppliers and customers alike. Power NI believes that by resolving market issues such as these the UR would provide a higher level of customer protection than mandating bill layout.

- 7. 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).**

ANS: As stated above it is clearly in a supplier’s interest to ensure that their bills and statements meet customer expectations. Significant time, effort and resource it deployed by suppliers to ensure this is the case. This involves customer research, focus groups, surveys, benchmarking and expert analysis. If a supplier fails to meet the customer demand they will loose customers in a competitive environment.

It is reasonable to state that for domestic and SME customers there is a requirement for a clear and easily understandable bill. What constitutes clear and easily understandable however differs for large users with energy managers who demand detailed level information. Again, the supplier must meet the customer want and should the UR wish to mandate changes or requirements it must be supported by appropriate research.

- 8. 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.**

ANS: Power NI considers the use of the definition drawn from the Consumer Protection from Unfair Trading Regulations as appropriate.

- 9. 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.**

ANS: Power NI believes that this again, is a principle which has been highlighted by our own research. Domestic and SME customers have communicated a demand that they can clearly see that the bill is theirs, how much they owe (or the status of their account) and what if anything they have to do. All other information is supporting, referred to only if required.

As stated above, large users typically with Energy Managers have a different perspective on billing information.

- 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.**

ANS: Similar to Question 9, this is also a principle which has been communicated via customer research.

**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.**

ANS: Power NI cannot envisage a reason why this principle would not be supported. Has the UR any evidence that billing accuracy is not a principle used?

**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.**

ANS: Power NI has long supported the principle that a supplier should look to make its customers aware of its best tariffs. This supports customer retention, a crucial aspect of a competitive market. It must however be done in an efficient and achievable manner. Power NI believes Option 3 put forward by the UR is the most appropriate. Options 1 and 2 are technically complex, would have a high risk of error and be subject to repeated change. This adds cost and complexity, two things the UR should look to avoid. Option 3 is more easily maintained by a Supplier and therefore compliance should always be achievable.

**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.**

ANS: The non-domestic market is more complex than the domestic market. Bespoke tariff and tendering processes are common place. Recognising the market characteristics means that Options 1 and 2 are not achievable or appropriate for this market. As with the domestic market Option 3 is the most appropriate and allows Suppliers the flexibility to refine and tailor their offer to meet the customer demand or want.

### **3. Other matters**

Power NI would welcome further engagement with the UR in relation to the Code of Practice on Bills and Statements. The level of prescriptive detail is of concern especially given the lack of research, identification of harm or substantive bill layout study. These forms of communication are crucially important to suppliers and

changes cannot be made without full due diligence. Such due diligence would include input from customers and customer representative organisations.

Power NI would also like to take this opportunity to highlight that a high level cost estimate of the changes required to comply with the appendices included in the UR's paper is c.£100,000. This cost is in relation to the implementation only, should the final requirements require additional pages to be added this will incur additional on-going operational costs.

It is also important to stress that such fundamental changes cannot be made to IT systems quickly. Detailed assessments, scoping and testing will be required before changes can be applied to operational billing systems. Power NI urges the UR to recognise this when mandating compliance timelines.

## **4. Conclusion**

As stated at the outset, bills and statements are a sensitive issue for suppliers. They are the primary interaction with a customer and are the physical representation of the company to the end user. As in all supplier activities, service delivery is critically important. Poor communication, complex bills or poor billing practices will drive up levels of customer dissatisfaction, complaints and ultimately losses in a competitive market.

To mitigate against this risk, all suppliers conduct extensive customer research and seek to make their billing and general information as customer friendly and informative as possible. Focus groups, market testing, benchmarking and research all form part of this exhaustive process. Changes are subject to extensive testing and follow a rigorous approval process.

Power NI is concerned that the UR is mandating prescriptive requirements on suppliers having failed to carry out any of the research and customer interaction we would expect. It is noteworthy that no questions were asked in relation to Chapter 3 of the Consultation Paper, 'Stakeholder engagement'. By directly intervening in the market in this way without identifying harm, consulting customer, holding focus groups and benchmarking the UR risks at best eroding competitive advantage and at worst causing customer dissatisfaction.

The UR has looked to the recent CMA findings in the UK. While a different market important principles were highlighted. The CMA found that explicit regulatory intervention in a market can be harmful to competition and that any intervention must be in relation to an identified issue and any remedy should be extensively tested with customers via focus groups etc. Power NI considers these principles to be relevant to the URs billing considerations.

Customer research and CCNI reports continue to indicate low levels of customer complaints and high levels of customer trust in the Northern Ireland electricity market. The UR's document assumes the opposite. There are already a sizeable number of licence conditions in relation to bills and statements, Power NI can see no justification presented by the UR as to why there is a need to go beyond what is already in place. The UR should allow the market to work; customers will directly (via

complaining) and indirectly (via switching) decide which service suits their needs. Unless the UR has specific evidence of a harm that exists in the market and research which supports its response in redressing this, then Power NI would urge the UR to be significantly less prescriptive and mindful of its statutory duty to promote competition by allowing the market to operate without such unnecessary intervention.